2016 ANNUAL REPORT

Evergreen International Holdings Limited

長興國際(集團)控股有限公司

(Incorporated in the Cayman Islands with limited liabilty)

Stock Code: 238

CONTENTS

CORPORATE INFORMATION

Directors

Executive Directors

Mr. Chan Yuk Ming *(Chairman)*
Mr. Chen Yunan
Mr. Chen Minwen

Independent Non-Executive Directors

Mr. Fong Wo, Felix
Mr. Cheng King Hoi, Andrew
Mr. Ng Wing Fai (appointed on 7 June 2016)
Mr. Kwok Chi Sun, Vincent (retired on 7 June 2016)

Company Secretary

Mr. Hung Hing Hung (appointed on 1 January 2017)
Mr. Li Wai Leung (resigned on 1 January 2017)

Authorised Representatives

Mr. Chan Yuk Ming
Mr. Hung Hing Hung (appointed on 1 January 2017)
Mr. Li Wai Leung (resigned on 1 January 2017)

Audit Committee

Mr. Ng Wing Fai *(Chairman)* (appointed on 7 June 2016)
Mr. Fong Wo, Felix
Mr. Cheng King Hoi, Andrew
Mr. Kwok Chi Sun, Vincent (retired on 7 June 2016)

Remuneration Committee

Mr. Cheng King Hoi, Andrew *(Chairman)*
Mr. Fong Wo, Felix
Mr. Ng Wing Fai (appointed on 7 June 2016)
Mr. Kwok Chi Sun, Vincent (retired on 7 June 2016)

Nomination Committee

Mr. Fong Wo, Felix *(Chairman)*
Mr. Cheng King Hoi, Andrew
Mr. Ng Wing Fai (appointed on 7 June 2016)
Mr. Kwok Chi Sun, Vincent (retired on 7 June 2016)

Share Award Plan Committee

Mr. Chan Yuk Ming *(Chairman)*
Mr. Chen Yunan
Mr. Cheng King Hoi, Andrew

Registered Office

PO Box 1350
Clifton House
75 Fort Street
Grand Cayman KY1-1108
Cayman Islands

Principal Place of Business and Headquarters in the People's Republic of China

18/F–21/F
One Bravo Plaza
No. 1, Jinsui Road
Zhujiang New Town Tianhe District
Guangzhou, China

Principal Place of Business in Hong Kong

Rooms 1305–1307, 13/F, New East Ocean Centre
9 Science Museum Road, Tsimshatsui East
Kowloon, Hong Kong

Cayman Islands Principal Share Registrar and Transfer Office

Estera Trust (Cayman) Limited
PO Box 1350
Clifton House
75 Fort Street
Grand Cayman KY1-1108
Cayman Islands

Hong Kong Share Registrar

Computershare Hong Kong Investor Services Limited
Shops 1712–1716
17th Floor, Hopewell Center
183 Queen's Road East
Wanchai
Hong Kong

Principal Bankers

Agricultural Bank of China Limited
Bank of China Limited
Bank of China (Hong Kong) Limited
Chong Hing Bank Limited
Hang Seng Bank Limited
Ping An Bank Co., Limited
Shanghai Commercial Bank Limited
Shanghai Pudong Development Bank Company Limited
The Hongkong and Shanghai Banking Corporation Limited

Auditors

Ernst & Young, Certified Public Accountants

Legal Advisor

Minter Ellison

Investor Relations

Investor Connect Advisory Ltd.

Stock Code

00238.HK

Company's Website

www.evergreen-intl.com

This Annual Report is printed on environmentally friendly paper

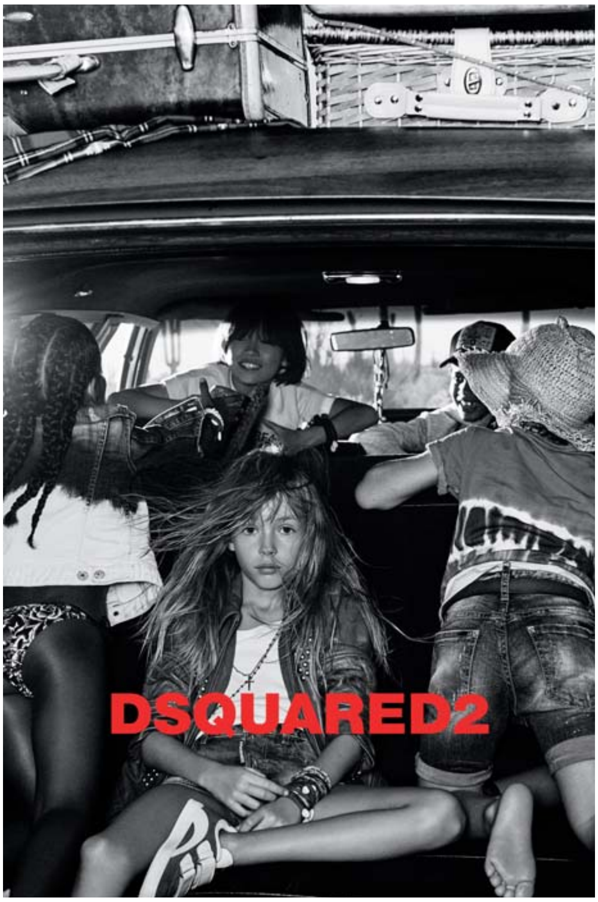

V.E. DELURE


Testantin
T S
Collection

SONIA RYKIEL PARIS

FENDI


simonetta


DSQUARED2

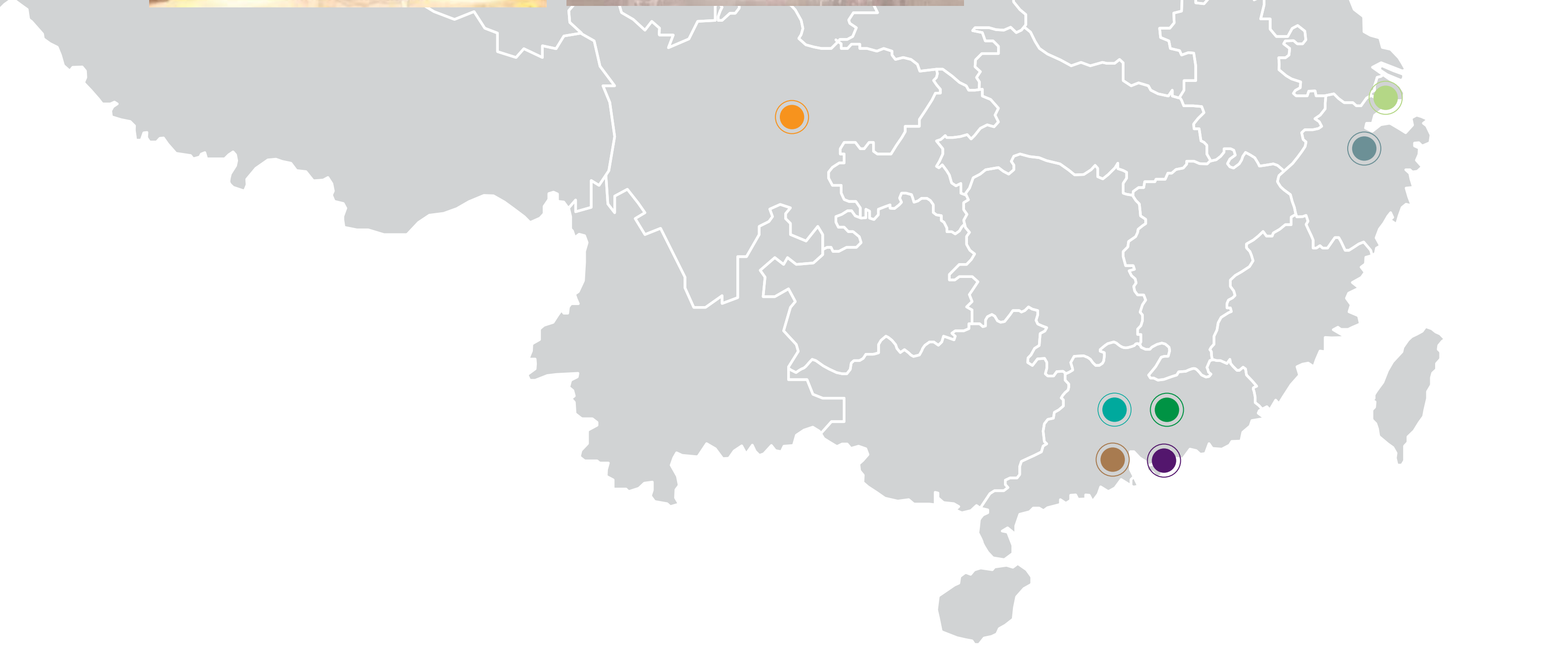

KENZO
PARIS
KIDS


junior
roberto cavalli

EVERGREEN CHILDREN'S WEAR AND ACCESSORIES SHOPS

Chengdu IFS

The Promenade Shops, Galaxy Macau



Qingdao Hisense Plaza

Qingdao MixCity

Shanghai Kerry Center

Hangzhou Mixcity

Shenzhen MixCity

Guangzhou La Perle

Hong Kong Harbour City

Hong Kong Sogo, Causeway Bay

Hong Kong Emax

FINANCIAL HIGHLIGHTS

For the year ended 31 December

	2016 RMB'million	2015 RMB'million	% change
Revenue	**421.8**	451.6	-6.6%
Gross profit	**238.7**	299.4	-20.3%
Loss attributable to ordinary equity holders of the Company	**(80.4)**	(75.6)	6.3%
Basic and diluted loss per share (RMB cents) *(Note 1)*	**(8.5)**	(8.0)	6.3%
Gross profit margin	**56.6%**	66.3%	
Net loss margin	**(19.1)%**	(16.7)%	
Effective tax rate	**(1.0)%**	3.8%	
Inventory turnover days *(Note 2)*	**455**	688	
Trade receivables turnover days *(Note 3)*	**75**	72	
Trade payables turnover days *(Note 4)*	**31**	47	

Notes:

1. Basic and diluted loss per share = loss attributable to the ordinary equity holders of the Company/weighted average number of ordinary shares in issue

2. Inventory turnover days = Average of the opening and closing balances on inventory/cost of inventories sold for the year x number of days for the year

3. Trade receivables turnover days = Average of the opening and closing balances on trade receivables/revenue from sale of goods for the year x number of days for the year

4. Trade payables turnover days = Average of the opening and closing balances on trade payables/cost of inventories sold for the year x number of days for the year

CHAIRMAN'S STATEMENT

To be a

WORLD CLASS

brand operator in Mainland China

Chan Yuk Ming
Chairman

Dear Shareholders,

I hereby present the annual results of Evergreen International Holdings Limited (the "Company") and its subsidiaries (collectively referred to as the "Group") for the year ended 31 December 2016.

In 2016, the global economy remained challenging and volatile. The economic recovery of the United States ("US") remained uncertain after the Federal Reserve of the US raised the interest rates in December 2016, which was just the second time in a decade that the Fed has raised rates while the economies of Europe and Asia remained complicated and lacked growth momentum. In the People's Republic of China (the "PRC", "Mainland China" or "China"), the economic growth has been undergoing a gradual slowdown from a persistent rapid expansion in the past decade. According to the National Bureau of Statistics of China, the growth rate of gross domestic product ("GDP") of 2016 moderated to 6.7%, which was the slowest pace of growth in 26 years, but well within the government's target range of 6.5% to 7%. The Chinese government continued to carry out various measures including cutting interest rate and lowering the reserve requirement so as to stimulate and restructure the economy. As a result of these stimulus measures, together with urbanisation and the continued increase in disposable income of consumers, the total retail sales of consumer goods realised in urban area and rural area in 2016 grew at a rate of 10.4% and 10.9%, respectively, as compared to that of previous year.

However, the operating environment of the retail sector, in particular the menswear industry, remained tough and sluggish in 2016. The industry was facing challenges of lack of sales momentum, downward pressure and weak consumer sentiment because of the Chinese government's continued anti-corruption campaign and the increasing concern on the slowdown of the economy. Though the total sales of garments, footwear, hats and knitwear in China increased by 7.0%, the growth rate of which was 2.8 percentage points lower than that in 2015 and hovering at a slowdown pace as compared to previous years.

For the year ended 31 December 2016, the revenue of the Group decreased by 6.6% to RMB421,839,000, as a result of the overall weak and continued sluggish retail market. Overall gross profits margin were pulled lower from 66.3% to 56.6% for the year ended 31 December 2016 due to more discounts granted to the customers in response to the weakening consumer sentiment. The Group recorded a loss attributable to ordinary equity holders of the Company of RMB80,409,000 for the year ended 31 December 2016 (2015: a loss of RMB75,575,000). The loss was mainly attributable to the decrease in gross profit, non-cash write-down of inventories, impairment of leasehold improvements, trade receivables and investment in an associate, and operating loss incurred in the investment stage for the Group's new high-end children's wear and accessories product segment.

As at 31 December 2016, the Group had a total of 189 menswear stores covering 26 provinces and autonomous regions, covering 105 cities in China. Given the intense competition in the retail market and weak consumer sentiment, the Group prudently adjusted the store opening plan in response to the challenging market condition and retail environment. The Group plans to open approximately 8 new retail stores for menswear business in 2017, of which approximately 5 are self-operated stores, 3 are franchised stores. On the other hand, the Group will continue to consolidate inefficient stores in order to improve the operating efficiency.

In order to improve brand image, the Group continued to conduct a series of advertising and promotional activities through various channels, e.g. advertisements in fashion magazines, promotional activities on the internet and mobile channels, and large advertising billboards in the airport and well-known department stores and fashion shows. Apart from routine advertising and promotional activities, corporate social responsibility is also one of the key values of the Group and the Group will continue to organise and participate in various charitable and social activities in the future.

In order to achieve a healthy and sustainable growth for the Group in the long run, seizing the growing potential opportunities from the full launch of two-child policy in China, the Group secured 9 international fashion brands' distribution rights of high-end children's wear and accessories product in Hong Kong, Macau and China. As at 31 December 2016, the Group had 11 retail stores and 6 ***Kissocool*** located in Hong Kong, Macau and China for the children's wear and accessories products of high-end international fashion brands. The Group believes that the new business segment of high-end children's wear and accessories will enable the Group to diversify its business, product and brand portfolio in the apparel and accessory product industries and will create synergy with the existing menswear business of the Group. The Group aspires to be a leading brand operator in the high-end children's wear and accessories product industry in China and considers that the new business segment is beneficial to the Group and its shareholders as a whole in the long run.

The Group jointly established an investment fund investing in lifestyle and related internet enterprises projects with Hangzhou Zhejiang Momentum Fund LLP, a subsidiary of Fosun International Limited ("Fosun International") (stock code of the Main Board of The Stock Exchange of Hong Kong Limited (the "Stock Exchange"): 656), Yadong Fosun Evergreen Investment Management Co., Ltd., Shenzhen Ellassay Fashion Co., Ltd. (stock code of the Main Board of A share market of the Shanghai Stock Exchange: 603808), and Dongguan Best Pacific Textiles Co., Ltd., a subsidiary of Best Pacific International Holdings Limited (stock code of the Main Board of the Stock Exchange: 2111) in March 2016. The Group will continue to look for other new investment opportunities in the apparel industry, accessory product industry and the online business industry for development and expansion.

Looking forward, despite the slowdown in business environment, the economy in China is still growing with continuously increasing disposable income of the consumers and market potentials in growing children populations under the government's reforming measures, the Group is confident in the long-term development of menswear and children's wear and accessories markets in China. The Group will continue to implement consistent and clear strategies, which include prudently enhancing its retail and distribution network and healthily expanding product offerings and design capabilities, enhancing product quality, consolidating brand equity of ***V.E. DELURE*** and ***TESTANTIN***, enriching our brands portfolio and upgrading our ERP system and administrative support, in order to achieve a healthy and sustainable growth in the long run. Furthermore, the Group believes that the new business segment of high-end children's wear and accessories products will enable the Group to diversify its business, product and brand portfolio in the apparel and accessory product industries and will leverage the foundation of the existing menswear business of the Group. The Group strives to be the leading brand operator in the high-end children's wear and accessories product industry in China and therefore consider the new business is beneficial to the Group and its shareholders as a whole in the long run.

Finally, I would like to take this opportunity to express my sincere gratitude to the members of the board (the "Board") of directors (the "Directors") of the Company, for their valuable advice and support. On behalf of the Board, I would also like to thank employees, shareholders, distributors, customers and suppliers of the Group for their confidence and continuous support to the Group.

Chan Yuk Ming
Chairman

Hong Kong, 30 March 2017

MANAGEMENT DISCUSSION AND ANALYSIS

Market Review

In 2016, the global economy remained challenging and volatile. China's economic growth has been undergoing a gradual slowdown in the past few years following consistent and rapid expansion for more than two decades. According to the National Bureau of Statistics of China, the growth rate of GDP of China moderated to 6.7% in 2016, with GDP reaching RMB74.4 trillion, which was the slowest pace of growth in 26 years, but well within the government's target range of 6.5% to 7%. Amid such a bleak economic environment, the Chinese government continued to carry out various measures, including cutting interest rates and lowering the reserve requirement so as to stimulate and restructure the country's economy.

In 2016, the total retail sales of consumer goods in China amounted to RMB33.2 trillion, representing an increase of 10.4% compared with that of 2015. However, the growth rate was 0.3 percentage point lower than that of the previous year. The total retail sales of consumer goods realised in urban area amounted to RMB28.6 trillion, representing an increase of 10.4%, which was 0.1 percentage point lower than that of the previous year. Moreover, the total sales of garments, footwear, hats and knitwear amounted to RMB1.4 trillion, representing an increase of 7.0%. However, the growth rate was 2.8 percentage points lower than that in the previous year. The retail market remained tough and challenging during the year and the overall consumer sentiment in retail sector remained weak as a result of the market turmoil and weakening economic momentum.

In view of the challenging economic and market environment, the Group continued to adjust its strategies in response to the market changes to stimulate the demand from customers who would purchase clothings and clothing accessories for their own use. During the year, the Group continued to invest resources in refining marketing strategy for brand building, reinforcing customer loyalty by organising marketing events, enhancing product quality and design to increase the competitiveness of its products and brands, further consolidating the menswear stores down to 189 from 264 as at 31 December 2015 and enabling us to better focus on the stores in our network that remain profitable, organising various training for its staff, and taking all appropriate measures to improve operational efficiency and business infrastructure, so as to maintain its healthy financial position. This is conducive to the Group's sustainable development in the long run. On the other hand, the Group has been actively expanding its children's wear business and looking for other investment opportunities so as to diversify income and returns to the Group.

Financial Review

During the year ended 31 December 2016, the Group recorded an aggregate turnover of approximately RMB421,839,000 (2015: RMB451,565,000), representing a decrease of approximately 6.6% compared with that of the previous year. Gross profit decreased from RMB299,434,000 for the year ended 31 December 2015 to RMB238,704,000 for the year ended 31 December 2016, representing a decrease of about 20.3%. Gross profit margin decreased from 66.3% for the year ended 31 December 2015 to 56.6% for the year ended 31 December 2016. The Group recorded a loss attributable to ordinary equity holders of the Company of RMB80,409,000 for the year ended 31 December 2016 (2015: a loss of RMB75,575,000) and net loss margin for the year ended 31 December 2016 of 19.1% (2015: net loss margin of 16.7%). The increase in the loss attributable to ordinary equity holders of the Company was mainly attributable to the decrease in gross profit, non-cash write-down of inventories, impairment of leasehold improvements, trade receivables and investment in an associate, and the operating loss incurred for the Group's new high-end children's wear and accessories product segment, which was in the investment stage.

Turnover

	2016 RMB'000	2016 % of turnover	2015 RMB'000	2015 % of turnover	Change %
V.E. DELURE					
Self-operated stores	**245,140**	**58.1%**	303,599	67.2%	-19.3%
Distributors	**77,629**	**18.4%**	67,142	14.9%	15.6%
Corporate sales	**–**	**–**	2,540	0.6%	-100.0%
	322,769	**76.5%**	373,281	82.7%	-13.5%
TESTANTIN					
Self-operated stores	**24,889**	**5.9%**	35,442	7.8%	-29.8%
Distributors	**4,810**	**1.1%**	3,576	0.8%	34.5%
	29,699	**7.0%**	39,018	8.6%	-23.9%
Licensed brands	**69,371**	**16.5%**	39,266	8.7%	76.7%
	421,839		451,565		-6.6%

The total turnover of the Group for the year ended 31 December 2016 decreased by 6.6% to approximately RMB421,839,000 (2015: RMB451,565,000). The decrease in turnover was mainly due to the decrease in sales of ***V.E. DELURE*** and ***TESTANTIN*** under difficult market conditions.

Turnover of the Group for the year ended 31 December 2016 comprised sales from self-operated stores of RMB270,029,000 (2015: RMB339,041,000), sales to distributors of RMB82,439,000 (2015: RMB70,718,000), corporate sales of Nil (2015: RMB2,540,000), sales from the licensed brands business of RMB69,371,000 (2015: RMB39,266,000), including sales from children's wear and accessories business of RMB38,664,000 (2015: RMB14,056,000).

The aggregate sales from self-operated stores for the year ended 31 December 2016 decreased by 20.4% compared with that of the previous year, and accounted for 64.0% (2015: 75.0%) of the total turnover under the current challenging retail environment. The aggregate sales to distributors for the year ended 31 December 2016 recorded an increase of 16.6% compared with that in the previous year and accounted for about 19.5% (2015: 15.7%) of the total turnover.

Turnover by Region

	2016		2015		Change
	RMB'000	**% of turnover**	RMB'000	% of turnover	%
V.E. DELURE					
Central China	**28,248**	**8.8%**	35,130	9.4%	–19.6%
North Eastern China	**15,057**	**4.7%**	28,578	7.7%	–47.3%
Eastern China	**40,068**	**12.4%**	41,675	11.2%	–3.9%
North Western China	**52,812**	**16.4%**	55,861	15.0%	–5.5%
Northern China	**55,783**	**17.3%**	68,769	18.4%	–18.9%
South Western China	**43,302**	**13.4%**	49,276	13.2%	–12.1%
Southern China	**83,474**	**25.8%**	89,393	23.9%	–6.6%
Hong Kong and Macau	**4,025**	**1.2%**	4,599	1.2%	–12.5%
Total	**322,769**		373,281		–13.5%

	2016		2015		Change
	RMB'000	**% of turnover**	RMB'000	% of turnover	%
TESTANTIN					
Central China	**5,078**	**17.1%**	4,262	10.9%	19.1%
North Eastern China	**2,520**	**8.5%**	4,205	10.8%	–40.1%
Eastern China	**1,255**	**4.2%**	3,110	8.0%	–59.6%
North Western China	**1,005**	**3.4%**	2,412	6.2%	–58.3%
Northern China	**2,473**	**8.3%**	304	0.8%	713.0%
South Western China	**5,751**	**19.4%**	9,131	23.4%	–37.0%
Southern China	**9,058**	**30.5%**	12,928	33.1%	–29.9%
Hong Kong and Macau	**2,559**	**8.6%**	2,666	6.8%	–4.0%
Total	**29,699**		39,018		–23.9%

The sales from ***V.E. DELURE*** in the North Western, Northern and Southern China for the year ended 31 December 2016 accounted for 59.5% (2015: 57.3%) of the total revenue from that brand, which was mainly attributable to the location of ***V.E. DELURE*** retail stores in major cities such as Shanghai, Beijing, Tianjin and Guangzhou, where the Group's ***V.E. DELURE*** brand is targeted at customers who are relatively more affluent with strong purchasing power.

The sales from ***TESTANTIN*** in Central, North Eastern, South Western and Southern China for the year ended 31 December 2016 accounted for 75.5% (2015: 78.2%) of the total revenue from that brand, as most of the ***TESTANTIN*** retail stores are situated in the second-tier and third-tier cities of these regions.

Turnover by Product (self-operated stores only)

	2016 RMB'000	2015 RMB'000
V.E. DELURE		
Apparel[1]	**235,454**	291,010
Accessories[2]	**9,686**	12,589
	245,140	303,599
TESTANTIN		
Apparel[1]	**24,235**	34,338
Accessories[2]	**654**	1,104
	24,889	35,442

	2016 Unit sold pcs	2015 Unit sold pcs
Sales Volume		
V.E. DELURE		
Apparel[1]	**163,550**	210,749
Accessories[2]	**32,623**	52,277
TESTANTIN		
Apparel[1]	**43,449**	63,602
Accessories[2]	**6,441**	13,228

	2016 RMB	2015 RMB
Average Selling Price		
V.E. DELURE		
Apparel[1]	**1,440**	1,381
Accessories[2]	**297**	241
TESTANTIN		
Apparel[1]	**558**	540
Accessories[2]	**102**	83

Notes:

(1) Apparel products include, among others, suits, jackets, pants, coats, shirts and polo-shirts.

(2) Accessories products include, among others, ties, cuff-links, pens and leather products.

Cost of Sales

The cost of sales of the Group increased by 20.4% for the year ended 31 December 2016 to approximately RMB183,135,000 (2015: RMB152,131,000) due to the increase in average selling costs. During the year, the Group continued to outsource the production process of most of the apparel and accessories products. The Group also purchased products under the licensed brand business, ***CARTIER***, and sourced children's wear and accessories from the licensed international fashion brands. The Group performed sampling, packaging and post-finish processing of the apparel products produced by outsourced manufacturers, and manufactured a small portion of the apparel products in its own plant.

Gross Profit and Gross Profit Margin

The gross profit of the Group decreased by RMB60,730,000 or 20.3%, from RMB299,434,000 for the year ended 31 December 2015 to RMB238,704,000 for the year ended 31 December 2016.

During the year, due to the implementation of various measures to boost the sales of aged inventories and as a result of weak consumer sentiment, more discounts were granted to the customers, which resulted in a decrease of 9.7 percentage points in gross profit margin from 66.3% to 56.6% for the year ended 31 December 2016.

Other Income and Gains

During the year, other income and gains mainly consisted of foreign exchange gains of RMB20,415,000 (2015: RMB2,526,000) and bank interest income of RMB14,333,000 (2015: RMB11,206,000).

Selling and Distribution Expenses

Selling and distribution expenses primarily consisted of rental and concessionaire commission to shopping malls and department stores of self-operated stores of approximately RMB106,447,000 (2015: RMB123,983,000), advertising and promotion expenses of approximately RMB22,324,000 (2015: RMB17,692,000), and staff costs of approximately RMB55,678,000 (2015: RMB73,343,000). During the year, the selling and distribution expenses represented about 60.7% (2015: 60.9%) of turnover.

Administrative Expenses

Administrative expenses decreased from RMB72,612,000 for the year ended 31 December 2015 to RMB64,596,000 for the year ended 31 December 2016, representing a decrease of 11.0%. During the year, administrative expenses accounted for 15.3% (2015: 16.1%) of turnover. The decrease in administration expenses was mainly attributable to the decrease in staff costs, including the non-cash share-based payment expenses related to the grant of share options and share awards.

Finance Costs

Finance costs for the year ended 31 December 2016 mainly represented interest expenses on interest-bearing bank and other borrowings.

Effective Tax Rate

During the year, the effective tax rate of the Group was -1.0% (2015: 3.8%).

Loss Attributable to Ordinary Equity Holders of the Company

The Group recorded a loss attributable to ordinary equity holders of the Company of RMB80,409,000 for the year ended 31 December 2016 (2015: a loss of RMB75,575,000) and net loss margin for the year ended 31 December 2016 of 19.1% as compared with a net loss margin of 16.7% for the year ended 31 December 2015. Loss per share of RMB8.5 cents was recorded for the year ended 31 December 2016 (2015: loss per share of RMB8.0 cents). The loss was mainly attributable to the decrease in gross profit, non-cash write-down of inventories, impairment of leasehold improvements, trade receivables and investment in an associate, and operating loss incurred in the investment stage for the Group's new high-end children's wear and accessories product segment.

Business Review

Proprietary Brands

The Group currently owns two proprietary brands in the menswear market of China catering to consumers with different needs, tastes and consumption patterns. ***V.E. DELURE*** offers business formal and casual menswear and accessories targeting affluent and successful men with a brand theme of "love"; while ***TESTANTIN*** offers contemporary and chic casual menswear and accessories targeting a younger and more fashion conscious age group with a brand theme of "artistic expression and simplicity".

The Group's two proprietary brands, ***V.E. DELURE*** and ***TESTANTIN***, recorded negative same store sales growth for the self-operated stores business of 11% and 25% respectively during the year.

Retail and Distribution Network

Number of stores of proprietary brands by region

	2016	2015
Central China	**20**	26
North Eastern China	**18**	24
Eastern China	**25**	40
North Western China	**24**	28
Northern China	**35**	49
South Western China	**26**	35
Southern China	**39**	60
Hong Kong and Macau	**2**	2
	189	264

In line with its previous years' business strategies, the Group continued to optimise the retail and sales network based on the demand in different target market segments. The Group has strategically used a mixed business model of opening self-operated stores in high-tier cities and franchised stores by distributors in low-tier cities. Opening self-operated stores enables the Group to have direct contact and interaction with target customers so as to optimise its marketing efforts and to directly instill in the customers the brand image and philosophy of the Group. Engaging distributors to open franchised stores allows the Group to expand its retail network quickly, leverage the profound understanding and experience of the distributors in local markets in which they operated, and penetrate into the fragmented menswear market in these cities with lower capital expenditure.

In view of the challenging retail environment and weak consumer sentiment, the Group adopted a more prudent approach in business development and strategically adjusted the store opening plan in response to the challenging market conditions and retail environment and consolidated stores which had been operated with low efficiency.

As at 31 December 2016, the Group had a total of 189 stores in 26 provinces and autonomous regions, covering 105 cities in China. There were 80 self-operated stores of ***V.E. DELURE*** in 31 cities in China whilst there were 6 self-operated stores of ***TESTANTIN*** in 5 cities in China.

In addition, the total number of distributors of the Group amounted to 103, which operated franchised stores of ***V.E. DELURE*** in 74 cities.

Number of stores of proprietary brands by city tier

	2016	2015	Changes
V.E. DELURE			
Self-operated stores			
First-tier	**17**	19	–2
Second-tier	**43**	60	–17
Third-tier	**18**	22	–4
Fourth-tier	**2**	3	–1
	80	104	–24
Franchised stores			
First-tier	**–**	–	–
Second-tier	**17**	19	–2
Third-tier	**63**	79	–16
Fourth-tier	**23**	26	–3
	103	124	–21
	183	228	–45
TESTANTIN			
Self-operated stores			
First-tier	**1**	6	–5
Second-tier	**3**	6	–3
Third-tier	**1**	4	–3
Fourth-tier	**1**	1	–
	6	17	–11
Franchised stores			
First-tier	**–**	–	–
Second-tier	**–**	1	–1
Third-tier	**–**	10	–10
Fourth-tier	**–**	8	–8
	–	19	–19
	6	36	–30
TOTAL	**189**	264	–75

First-tier cities: Beijing, Shanghai, Guangzhou, Hong Kong and Macau
Second-tier cities: provincial capital cities excluding Beijing, Shanghai and Guangzhou
Third-tier cities: prefecture-level cities other than provincial capital cities
Fourth-tier cities: county-level cities

In 2016, the number of ***V.E. DELURE*** self-operated stores decreased from 104 as at 31 December 2015 to 80 as at 31 December 2016 as a result of the consolidation of underperforming stores. Franchised stores operated by the distributors of the Group decreased from 124 as at 31 December 2015 to 103 as at 31 December 2016.

As at 31 December 2016, the total area of self-operated stores of ***V.E. DELURE*** was approximately 13,845 square meters (2015: 17,889 square meters), representing a decrease of 22.6% compared with that in the previous year.

In 2016, the number of ***TESTANTIN*** self-operated stores decreased from 17 as at 31 December 2015 to 6 as at 31 December 2016 whilst the number of franchised stores decreased from 19 as at 31 December 2015 to Nil as at 31 December 2016 in order to consolidate underperforming stores of ***TESTANTIN***.

As at 31 December 2016, the total area of self-operated stores of ***TESTANTIN*** was approximately 895 square meters (2015: 1,915 square meters), representing a decrease of 53.3% compared with that in the previous year.

Licensed International brands

Apart from licensed brand business of ***CARTIER***, the Group commenced the new business segment of high-end children's wear and accessories products in August 2014. As at 31 December 2016, the Group had secured distribution rights for the following 9 international fashion brands:

Brand portfolio

Brands	Territories
Diesel Kids	Mainland China, Hong Kong
Dsquared2	Mainland China, Macau
Fendi Kids	Mainland China, Macau
Kenzo Kids	Hong Kong
Paul Smith Junior	Mainland China, Hong Kong
Roberto Cavalli Junior	Mainland China, Hong Kong, Macau
Sonia Rykiel Paris	Mainland China, Hong Kong
Simonetta	Mainland China, Hong Kong, Macau
Trussadi Junior	Mainland China, Hong Kong

As at the date of this report, the Group had 11 mono-brand retail stores in Hong Kong, Macau and Mainland China.

In addition, to cater for the consumer appetite and preference, especially those of the growing number of middle-class couples, the Group has invented and launched its new lifestyle concept store, ***Kissocool***. This new concept store served as a one-stop platform offering children's wear and accessories products from prestigious international brands and created a leisure shopping environment with recreational, entertainment and snack zones for customers. The Group is dedicated to enhancing the ultimate shopping experience by catering for the desires of each family member under a relaxing shopping environment. This, in turn, can foster a more comprehensive and loyal customer base. The Group believes ***Kissocool*** will further strengthen the brand image and attract more brand owners to establish strategic partnerships. The Group had 6 ***Kissocool*** concept stores in the PRC and Hong Kong as at the date of this report.

Details of our shop locations by brand for children's wear and accessories are as follows:

Brands	Shop Location
Diesel Kids	Hong Kong Sogo Causeway Bay ***(Kissocool)*** China Qingdao MixCity China Shanghai Kerry Centre ***(Kissocool)*** China Hangzhou MixCity ***(Kissocool)*** China Guangzhou La Perle ***(Kissocool)***
Dsquared2	The Promenade Shops, Galaxy Macau China Shanghai Kerry Centre ***(Kissocool)*** China Hangzhou MixCity ***(Kissocool)*** China Guangzhou La Perle ***(Kissocool)***
Fendi Kids	The Promenade Shops, Galaxy Macau China Shenzhen MixCity China Hangzhou MixCity China Qingdao Hisense Plaza ***(Kissocool)*** China Shanghai Kerry Centre ***(Kissocool)*** China Guangzhou La Perle ***(Kissocool)***
Kenzo Kids	Hong Kong Sogo Causeway Bay
Paul Smith Junior	Hong Kong Sogo Causeway Bay ***(Kissocool)*** China Hangzhou MixCity ***(Kissocool)*** China Qingdao Hisense Plaza ***(Kissocool)*** China Shanghai Kerry Centre ***(Kissocool)*** China Guangzhou La Perle ***(Kissocool)***
Roberto Cavalli Junior	Hong Kong Harbour City Hong Kong Sogo Causeway Bay ***(Kissocool)*** Hong Kong Kowloon Bay International Trade & Exhibition Centre Emax ***(Kissocool)*** The Promenade Shops, Galaxy Macau China Chengdu IFS China Hangzhou MixCity China Qingdao Hisense Plaza ***(Kissocool)*** China Shanghai Kerry Centre ***(Kissocool)*** China Guangzhou La Perle ***(Kissocool)***

Brands	Shop Location
Sonia Rykiel Paris	Hong Kong Sogo Causeway Bay ***(Kissocool)*** Hong Kong Kowloon Bay International Trade & Exhibition Centre Emax ***(Kissocool)*** China Qingdao Hisense Plaza ***(Kissocool)*** China Shanghai Kerry Centre ***(Kissocool)*** China Hangzhou MixCity ***(Kissocool)*** China Guangzhou La Perle ***(Kissocool)***
Simonetta	Hong Kong Sogo Causeway Bay ***(Kissocool)*** Hong Kong Kowloon Bay International Trade & Exhibition Centre Emax ***(Kissocool)*** The Promenade Shops, Galaxy Macau China Qingdao Hisense Plaza ***(Kissocool)*** China Shanghai Kerry Centre ***(Kissocool)*** China Hangzhou MixCity ***(Kissocool)*** China Guangzhou La Perle ***(Kissocool)***
Trussadi Junior	Hong Kong Sogo Causeway Bay ***(Kissocool)*** Hong Kong Kowloon Bay International Trade & Exhibition Centre Emax ***(Kissocool)*** China Shanghai Kerry Centre ***(Kissocool)*** China Hangzhou MixCity ***(Kissocool)*** China Guangzhou La Perle ***(Kissocool)***

For the year ended 31 December 2016, the Group's high-end children's wear and accessories product segment recorded revenue of RMB38,664,000 and a net loss of RMB27,937,000, as the business is still in the investment stage.

Sales Fair

V.E. DELURE 2017 Spring and Summer collection sales fair was held in August 2016. The total orders from franchised stores operated by the distributors of the Group decreased by 25% compared with that of the previous year, mainly because the distributors remained uncertain and cautious towards the retail market. Delivery of the orders commenced in December 2016.

V.E. DELURE 2017 Fall and Winter collection sales fair was held in February 2017. The total orders from franchised stores operated by the distributors of the Group decreased by 7% compared with that of the previous year. Delivery of the orders will commence in August 2017.

Inventory Management

The Group maintains an effective inventory management system. In particular, the Group has adopted a flat distributor model comprising only one layer of distributors without any sub-distributor, which enables the Group to closely monitor the business performance and inventory of each franchised store and distributor. Moreover, orders placed by the distributors are distributed proportionally in the first batch of orders placed at the sales fair and the supplemental orders placed following the commencement of the season. During the year, the inventory turnover days of the Group decreased from 688 days as at 31 December 2015 to 455 days as at 31 December 2016, representing a reduction of 233 days compared with that of the previous year. The inventory turnover enhancement was achieved gradually through various effective inventory management measures to boost the sales of aged inventory in such channels as outlets, temporary promotional sales fair and online business platform. The inventory balance decreased from RMB263,683,000 as at 31 December 2015 to RMB191,303,000 as at 31 December 2016. The Group will continue to implement a series of measures to speed up the process to sell the aged inventories.

Marketing and Promotion

The Group has a dedicated marketing team to organise and execute the marketing and promotional activities of its products. The Group focuses on the long-term development of its brands. Different types of marketing and promotional activities of the Group not only strengthen the brand recognition and value, but also promote its brand theme.

In 2016, the total expenditure of the Group on marketing and promotional activities amounted to approximately RMB22,324,000 (2015: RMB17,692,000), accounting for 5.3% (2015: 3.9%) of the turnover. The Group will strive to maintain the ratio within the range of 5%–10% whilst promoting the brands effectively.

During the year, the Group organised regular advertising and promotional activities through different channels, such as advertisements in fashion magazines, promotional activities on the Internet and other media, and large advertising billboards in airports and well-known department stores and launching fashion shows.

The Group continues to be the exclusive sponsor of the formal attire of the PRC national table tennis team and badminton team and the sponsorship arrangement will last until 2020. In addition, the Group supplied the formal attire to the PRC men's and women's national soccer teams in 2016 and this arrangement will last until 2019.

The Group treats its retail stores as one of the important channels to promote and enhance brand equity. During the year, the Group continued to carry out store image upgrading work, enhance the display space and further promote its high-end brand image in order to attract customers more effectively.

Apart from routine advertising and promotional activities, the Group also actively fulfilled its corporate social responsibility. The Group will continue to organise and participate in various charitable and social activities in the future. Such charitable activities can not only strengthen the brand equity of the Group, but also promote the corporate image of the Group as a socially responsible enterprise.

Product Design and Development

Due to factors such as accelerating urbanisation and the rise of the middle class, consumption demand in the PRC keeps rising. Consumers pursue products with superior materials, suitable cutting and unique style. While there are abundant product choices to customers in the market, the Group fully understands that fashionable and innovative apparel products not only attract consumers, but also provide the Group with a better pricing capability.

During the year, the Group continued its commitment to innovative product design and strict quality control, and launched unique product portfolios for ***V.E. DELURE***.

The Group also recruited experienced design talents to bring in fresh inspiration for innovation to further diversify product portfolio and increase its competitiveness. The Group has experienced, innovative and independent design teams for ***V.E. DELURE***, which are led by chief supervisors with substantial experience in fashion design.

Working Capital Management

A substantial part of the inventories of the Group was finished goods. The Group performed specific review on finished goods regularly. For slow-moving and obsolete inventories, the Group made specific provision for inventories with the net realisable value lower than their carrying value.

Inventory turnover days was 455 days as at 31 December 2016, representing a decrease of 233 days as compared to 688 days as at 31 December 2015. The inventory enhancement was achieved gradually through various effective inventory management and selling measures to boost the sales of aged inventory.

Trade receivables represented the receivables for goods sold to the distributors for franchised stores and the receivables from department stores and shopping malls for self-operated stores. Trade receivables turnover days was 75 days as at 31 December 2016 (2015: 72 days).

Trade payables represented payables to suppliers and outsourced manufacturers. Trade payables turnover days decreased from 47 days as at 31 December 2015 to 31 days as at 31 December 2016.

Use of Proceeds

The shares of the Company (the "Share") were listed on the Main Board of the Stock Exchange on 4 November 2010. Net proceeds from the global offering were approximately RMB1,017.4 million (equivalent to approximately HK$1,167.0 million), after deducting the underwriting commission and relevant expenses. As at 31 December 2016, the unused proceeds were deposited in licensed banks in Hong Kong and Mainland China.

Use of funds raised

	Percentage to total amount	Net proceeds RMB'million	Utilised amount (as at 31 December 2016) RMB'million	Unutilised amount (as at 31 December 2016) RMB'million
Expansion and improvement of retail network	45%	457.8	457.8	–
Developing independent lines of branded apparels and accessories under ***V.E. DELURE*** brand	10%	101.7	101.7	–
Acquisitions or licensing of additional brands	20%	203.5	–	203.5
Marketing and promotional activities	7%	71.2	70.8	0.4
Upgrade of ERP system and database management system	5%	50.9	4.3	46.6
Hiring international design talent and design consultant firms, expanding the Group's existing design team and establishing the Group's own research and design centre	5%	50.9	6.3	44.6
General working capital	8%	81.4	81.4	–
	100%	1,017.4	722.3	295.1

Liquidity and Financial Resources

As at 31 December 2016, the Group had cash and cash equivalents of RMB120,252,000 (2015: RMB548,875,000) and time deposits of RMB500,000,000 (2015: Nil). In addition, the Group had pledged deposits of RMB21,920,000 (2015: RMB145,572,000).

During the year, the Company issued unlisted corporate bonds with an aggregate principal amount of HK$77,300,000 (equivalent to approximately RMB66,153,000) which will mature on the date immediately following 12 months to 96 months after the first issue date, subject to any early redemption request by the Company. The bonds bear coupon rate ranging from 4.00% to 6.75% per annum, payable semi-annually in arrears.

As at 31 December 2016, the Group had interest-bearing bank and other borrowings of an aggregate amount of RMB346,773,000 (2015: RMB349,767,000), which were denominated in RMB, Hong Kong dollars and Euros, with maturity from one year to eight years or on demand and bore effective interest rates ranging from 2.35% to 12.85% per annum (2015: 1.89% to 6.30% per annum). The gearing ratio is calculated by dividing net debt by the capital plus net debt. Net debt includes interest-bearing bank and other borrowings, trade payables, other payables and accruals less cash and cash equivalents. Capital represents equity attributable to shareholders. The gearing ratio was 19.5% as at 31 December 2016 (2015: N/A).

As at 31 December 2016, the Group was not in compliance with certain financial loan covenants under certain cash loans and the non-compliance entitles the lenders to demand immediate repayment of such loans. The cash loans which became callable on demand amounted to approximately RMB119,899,000 (being the sum of HK$25,600,000 and RMB97,000,000).

As at the date of this report, the Gorup had yet to obtain waivers for the above non-compliance and no demand for immediate repayment was made in respect of the relevant cash loans. Despite the above non-compliance, the Group has not experienced any difficulty in obtaining further financing from its bankers. In the event that the loans were recalled, based on the audited financial result of the Group for the year ended 31 December 2016, the Group has sufficient financial resources to repay the relevant loans.

Contingent Liabilities

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

Pledge of Assets

As at 31 December 2016, deposits of RMB21,912,000 (2015: RMB145,572,000) and certain of buildings of carrying amount of approximately RMB262,800,000 (2015: Nil) were pledged as security for the bank borrowings of the Group.

Exchange Risk

The Group conducts business primarily in Hong Kong and Mainland China with most of the transactions denominated and settled in Renminbi and Hong Kong dollars. The reporting currency of the Group is Renminbi. Nevertheless, the Group purchases some raw materials and outsourced products in Euros and depreciation of Renminbi against these foreign currencies would increase the cost of sales of the Group.

The Group did not hedge its foreign exchange exposure during the year. Any significant exchange rate fluctuations of foreign currencies against the Renminbi could have financial impact on the Group. However, the Group monitors foreign exchange exposure regularly and will consider if there is a need to hedge against significant foreign currency exposure when necessary.

Employee's Benefits and Relations

The Group offered its staff competitive remuneration schemes and training and development opportunities. The Group also provided in-house sales and services coaching in order to develop human capital. In addition, discretionary bonuses, share options and share awards may also be granted to eligible staff based on individual and the Group's performance as a means of rewarding and retaining high-calibre staff. Through the above policies, the Group strives to motivate and recognise its employees as the important assets of the Group.

During the year, the Group continued to organise various staff leisure, welfare and charity activities so as to help the staff to maintain work-life balance and enhance a sense of belongings within the Group.

The Group has adopted a defined contribution retirement benefits scheme (MPF Scheme) for Hong Kong employees, and contributions were made based on a certain percentage of the employee's basic salary. The contributions were charged to the statement of profit or loss when they became payable. In Mainland China, the Group made monthly contributions to the social security fund, including retirement pension insurance, medical insurance, unemployment insurance, injury insurance and maternity insurance, for the employees of the Group according to the relevant laws in the PRC.

As at 31 December 2016, the total number of full-time employees of the Group was 691. The total staff costs (excluding directors' emoluments) for the year ended 31 December 2016 amounted to approximately RMB73,303,000 (2015: RMB94,919,000).

Prospects

Given the continuing slowdown of economy in China, the outlook of retail sector in 2017 still remains uncertain and tough. The consumer sentiment in 2017 is expected to remain weak. However, as the Chinese government continued to stimulate domestic consumption to support economic growth, the domestic consumption will remain as the core contributor to GDP growth and it is expected that the retail industry will achieve healthy and sustainable growth in the long run.

Despite the challenging business environment in the menswear industry, the Group will continue to invest resources in refining market strategy for brand building, reinforcing customer loyalty by organising marketing events, enhancing product quality and design to increase the competitiveness of its products and brands. Furthermore, the Group will continue to enhance its retail network prudently to prepare for the long-term development. The Group plans to open approximately 8 new retail stores for menswear business in 2017, of which approximately 5 are self-operated stores with the remaining 3 being franchised stores. On the other hand, the Group will continue to consolidate inefficient stores in order to improve the operational efficiency. Our effort on inventory management in 2016 brought the stock level down from RMB263.7 million as at 31 December 2015 to RMB191.3 million as at 31 December 2016 and the turnover days was lowered to 455 days as at 31 December 2016 from 688 days as at 31 December 2015. The Group will continue to implement a series of measures including outlets, temporary promotional sales fair and online business platform to speed up the process of selling the aged inventories. Given that the domestic consumption will remain as the core contributor to GDP growth and it is expected that there will be continuous increase in domestic household income and the pursuit for high quality products by middle-class income consumers, the Group will continue to adopt a prudent and responsive business strategy to maintain its advantageous position in the high-end menswear market in Mainland China. The Group is confident in steady and healthy development of menswear market in China, especially that of the mid-end to high-end segments.

Starting from 1 January 2016, the Chinese government has allowed all couples in China to have two children. The expected large and growing number of babies and children in the future can lead to strong growth in China's children's wear and accessories market. To capitalise on this growing market, the Group has secured the distribution rights in Hong Kong, Macau and Mainland China with 9 international brand owners for its new business segment of high-end children's wear and accessories products. The Group will continue to look for investment opportunities in other children's wear brands with a view to continuing to add new brands to the Group's portfolio. As at the date of this report, the Group has 11 retail stores and 6 ***Kissocool*** in Hong Kong, Macau and Mainland China for the children's wear and accessories products of high-end international fashion brands. The Group will adopt a cautiously optimistic view when it discusses with a number of shopping malls operators in China and extends its retail network in China in 2017.

The Group believes that the new business segment of high-end children's wear and accessories will enable the Group to diversify its business, product and brand portfolio in the apparel and accessory product industries and will create synergy with the existing menswear business of the Group. The Group aspires to be a leading brand operator in the high-end children's wear and accessories product industry in China and considers that the new business segment is beneficial to the Group and its shareholders as a whole in the long run.

On the other hand, further to the establishment of Shenzhen Fosun Ellassay Fashion Fund LLP investment fund on 4 March 2016 (details of which are set out in the announcement of the Company dated 4 March 2016), the Group will continue to look for other new investment opportunities in the apparel industry, accessory product industry and the online business industry for development and expansion.

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

Concept and principles

This Environmental, Social and Governance Report section (the "Section") highlights our sustainability initiatives of the Group's self-operated business of menswear brands for the year ended on 31 December 2016 (the "Reporting Year"). This Section primarily covers four self-operated stores, which are selected from the east, south, northwest and southwest regions of China[1] as representative samples of data, with the Hong Kong office highlighted in corresponding sections. It meets the requirements of the Environmental, Social and Governance ("ESG") Reporting Guide (the "ESG guide") set out in Appendix 27 of the Listing Rules. The reporting scope is determined based on the reporting principles of the ESG guide, namely materiality and consistency, to reflect the ordinary course of the Group's business. In line with the ESG guide, this Section covers the same period as the annual report.

The figures and data in the Section are from our archived files, records and surveys. The efforts devoted to the ESG initiatives demonstrate our commitment to corporate social responsibility. We welcome all feedback by email to ircontact@evergreen-intl.com on this Section for improvement with time.

About the Group

As a leading menswear enterprise and brands operator in China, the Group is dedicated to delivering quality products, services and reasonable returns. Apart from our self-operated menswear brands ***V.E. DELURE*** and ***TESTANTIN***, our business portfolio includes the retailing of accessories as an authorised dealer in designated ***CARTIER*** stores in China, and the distribution of children's wear for international brands. Our raw materials equipment and licensed brands products are sourced from our suppliers that involve coordination with third parties. We strive to establish a stable and orderly supply chain for not only managing risks, but also strengthening the industry structure.

We also create a harmonious and conducive work environment with appropriate training and promotion opportunities for employees to grow and excel. At the same time, we engage in community services and hold various charitable events to boost solidarity and build a caring culture.

To embrace corporate social responsibility, the Company will continue to integrate sustainability values into the Group's long-term development plan to further contribute to our society.

Performance in 2016

Building a green future

The Group sets great store by environmental protection. We fully comply with the Environmental Protection Law, the Energy Conservation Law and other relevant laws of the PRC. The Group's environmental management task group has been collecting and analysing environmental data to monitor and improve the business operations.

During the Reporting Year, there were no violation cases of environmental laws in the Company.

Since March 2011, the Group has obtained and renewed the ISO14001 Environmental Management Certification. Our self-operated menswear stores adopt the Green Retailing strategy such as:

— Reusing plastic packaging materials and minimising the consumption of disposable plastic products.

— Not offering plastic bags unless requested to motivate customers to prepare their own shopping bags to reduce the demand for plastic bags at source.

Delivering a blissful shopping experience, we lead an environmentally friendly lifestyle for customers while raising environmental awareness in the retail industry.

To go green at work, we support waste reduction by practising the 4Rs: Reduce, Reuse, Recycle, and Replace in the office. The Group records and occasionally evaluates the energy consumption regularly to explore the opportunities for improving energy efficiency.

1 The four self-operated stores are located at Nanjing Golden Eagle Department Store, Nanning Dream Island Shopping Center, Xi'an Century Ginwa and Beijing Yansha Youyi Shopping City.

To promote a green work environment, our staff is encouraged to:

— Build a paperless office by sharing information online and simplifying paperwork processes

— Opt for double-sided printing, resulting to significant paper consumption

— Reuse stationery such as envelopes

— Bring own cutlery instead of using disposable tableware

— Shut off lightings and air-conditioning after office hours to save electricity

— Set air-conditioning to room temperature at 25°C

— Switch off lights when a room is left empty over an hour

— Turn off computers outside working hours

The Group has made the corporate information available to shareholders via the Stock Exchange or the Company's website since listing to reduce paper consumption. During the Reporting Year, about 86% of the individual shareholders consented to receive electronic annual report.

Nurturing talents

Employees are the core part of the Group. To develop an outstanding and efficient team, we provide competitive remuneration packages and comprehensive on-the-job training to communicate the spirit of professional dedication to caring services.

Demographics of staff

	2016
Number of Employees	691
Number of New Recruits	278
Gender composition	Male: 10.1% Female: 89.9%
Percentage of Post-secondary Educated Staff	13.3%
Turnover Rate	62.3%

Distribution of Staff by Age

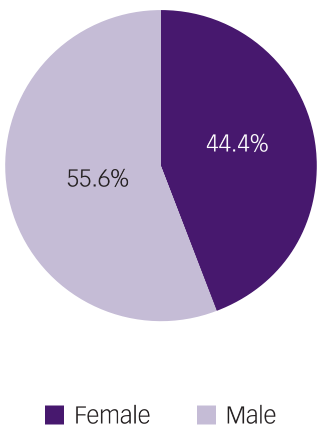
	2016
Aged 16–24	8.4%
Aged 25–40	78%
Aged 41–59	13%
Aged 60 or above	0.6%

Fair employment practices

The Group recruits staff based on a fair and impartial principle through objective and consistent recruitment selection and performance appraisal. We consider individuals' competency regardless of their age, nationality, race, religion, gender, sexual orientation, marital status, pregnancy, disability and political stance, etc. to eliminate employment discrimination. The Group has built a mixed age and gender team that embodies diverse mindset and skill sets to drive business success.

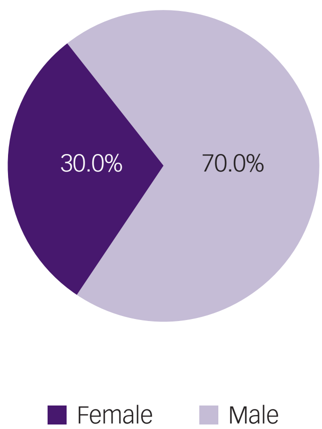
Practising gender equality, the Group supports female employees to play a role in the management. During the Reporting Year, 4 members, or 44.4% of the Group's senior management (Senior Manager, Director or above) were female employees. According to the International Business Report 2016 by an international accounting firm Grant Thornton, this composition represents a better gender balance compared to the average of 30% female representation in management positions of Chinese enterprises.

Gender Composition of Senior Management in the Group



Higher proportion of female senior managers in the Group than the China average

Gender Composition of Senior Management in China-based Enterprises



We believe workforce diversity is a key factor for the Group to remain competitive. Adhering to this principle, the Group has implemented a Board Diversity Policy and requires the nominating committee to review the composition, number and background of board members annually to achieve diversity in terms of, among others, gender, age, education, cultural background, experience, expertise and industry knowledge.

Employment compliance and welfare

The Group attaches great importance to employment relationship and talent retention through providing competitive remuneration package and welfare. Complying stringently with all national and local laws including Labour Law, Labour Contract Law and Employment Promotion Law, we adopt lawful employment practices to prevent malpractice such as child and forced labour. If child and forced labour are found in the Company, the Group will immediately remove the person involved from the workplace and follow up on the case.

During the Reporting Year, there were no violations of employment-related laws and regulations found in the Group.

Abiding by the national laws including Social Insurance Law of the People's Republic of China, the Regulation on the Payment of Wages, and the Regulation on Paid Annual Leave for protecting employee benefits such as payroll, annual leave and insurance, the Group revises remuneration packages regularly to keep abreast of market standards. Furthermore, we fully comply with the Law on the Protection of Women's Rights and the Special Rules on the Labour Protection of Female Employees, to offer breastfeeding leave to protect the benefits of female employees.

To bolster employees' sense of belonging, the Group organises company trip and staff meeting cum annual dinner to commend employees for their hard work. During the Reporting Year, we invited 109 employees to join the annual trip in Zhuhai Chimelong Resort. We also hosted the staff meeting cum annual dinner in Guangzhou to commend excellent staff for their support and efforts. Prizes were presented to outstanding employees, teams, managers, sales representatives, store managers, managers who run ten million worth of stores, and 5-year and 10-year long service awards.

Health and safety

The Group makes every effort in creating a safe and comfortable work environment and providing benefits including medical insurance and ancillary benefits to boost work efficiency.

Proactively identifying potential occupational risks, we offer training courses and guidelines for employees to develop the health and safety awareness to reduce the probability of accidents. In the event of a work-related accident (if any), an independent assessment will be conducted by the human resources department based on the staff report and the internal guidelines to devise solutions. The Group has obtained certification for the OHSAS18001:2007 Occupational Health and Safety Management Systems.

What is OHSAS18001 occupational health and safety management system?

Occupational Health and Safety Management System (OHSAS18001) is a management system standard to reduce management and prevent accidents that cause loss of life, property, time, and impact on the environment. It provides a set of risk control management approaches for the organization: identify the existing hazards of enterprise products, services, activities, workplace through professional investigation and assessment and related regulatory requirements; develop appropriate control programs for hazards and risks inadmissible; implement control programs and regular checks to assess occupational health and safety regulation and policy; establish a management system regarding organisational structure, duties, training, communication, and contingency plans and response for continual improvement of occupational health and safety performance.

Development and training

The Group strives to grow hand-in-hand with our employees. We offer target-oriented, systematic and forward-looking training for employees to improve job performance and steer personal and career development. New hires are provided with a comprehensive programme which includes full-day intensive training course, mentoring, and rotating internship to enhance their understanding of our corporate culture, the administration systems and functions of different units and departments.

Encouraging long-term career planning, the Group provides subsidies and allowances to employees for enrolling in training courses held by professional third-parties. During the Reporting Year, our staff attended training programmes held by professional institutions such as Hong Kong Institute of Certified Public Accountants for continual improvement.

To ensure working efficiency and high standards for all employees, we establish a performance appraisal system to commend outstanding staff and give written reprimands to deter employees from violating regulations again.

Supply chain management

Reliable supply chain is of utmost importance for the Group to control operational risks to the greatest extent possible.

Partnering with over 80 suppliers for the business of our menswear brand, we set appropriate standards by category to maintain supplier service quality. For example, we require textile suppliers to operate in line with the Standard GB18401-2010 National General Safety Technical Code for Textile Products. To ensure quality, textile sample is sent to National Textile and Garment Quality Supervising Testing Center for quality checks. After passing the inspection, the raw materials are accepted for production use. For production, we expect our suppliers to meet the national Standardised Evaluation Criteria of Safety Production in Garment Manufacturing Enterprises, which is applicable to apparel and accessory manufacturing enterprises that primarily engage in fabric processing such as cutting and stitching.

Meanwhile, the Group assesses and identifies the right suppliers based on the Supplier Assessment Report: Finished Products. The heads of quality control, design, procurement, and warehouse departments grade potential suppliers in terms of pattern, punctuality, quality, and cooperativeness. The suppliers are then ranked, grouped and selected based on the evaluation results. Divided into three groups, the suppliers in the low-score group will not be considered for partnership.

Meeting international standards, all of our logistics service providers have obtained ISO 9001:2008 and ISO 28000:2007 for quality management system and supply chain security management certifications.

What is Quality Management System (ISO 9001)?
ISO 9001 is an internationally recognised standard on Quality Management System. The standard specified a systematic framework and system for product manufacturers or service providers to fulfill the customer expectation of quality.

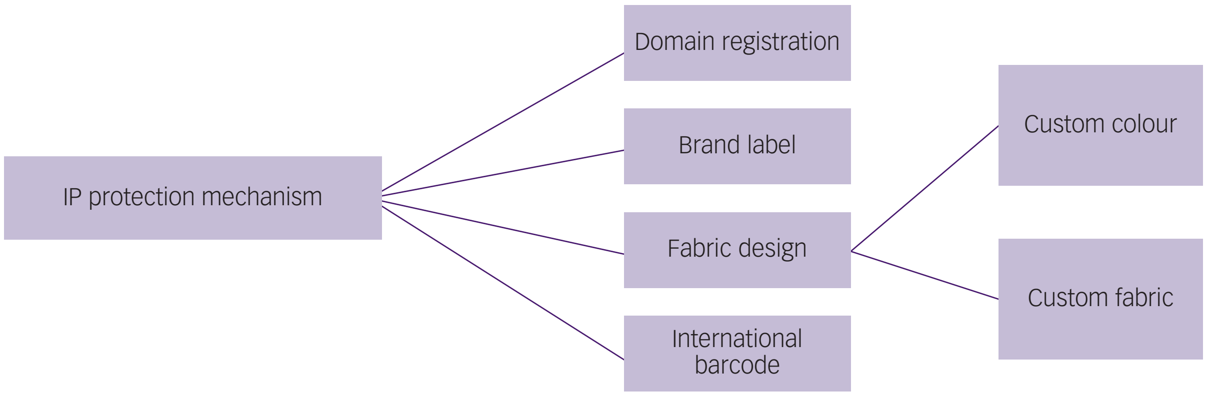
What is ISO 28000?
ISO 28000 is an international standard of security management system for managing safety of people, properties, information and infrastructure in a supply chain. It is applicable to all sizes of organizations, from small to multinational, in manufacturing, service, storage or transportation at any stage of the production or supply chain.

Product management

The Group strives for best-in-class products. To uphold high standards of production, the Group has set up the Quality Control Department to keep track of orders and impose strict control in every phase of manufacturing process based on the Standards for Workflow and Testing and the Procedure for Pre-and Post-production. The department conducts regular spot checks at factories to prevent unqualified products. If a product on the market is found substandard, we will decide whether to stop the sale of the product according to the Procedure for (unqualified) Product Recall.

During the Reporting Year, there was no product recall for safety and health reasons.

As part of our product responsibility, the Group strives to protect our brand values from counterfeiting. In order to build a comprehensive intellectual property protection mechanism, we have registered our domain name, as well as the trademarks for our brands ***V.E. DELURE*** and ***TESTANTIN*** in Mainland China, Hong Kong and Macau. We also deploy anti-counterfeit technique in our fabric. Designed with custom fabric and colours, each of our garment is produced with our brand label and international barcode which customers can scan to verify product authenticity online.



During the Reporting Year, there were no legal cases filed against the Group regarding violation of intellectual property.

Delivering satisfying experience

Our long-term customer relationship is founded on sincerity and responsibility which add value to our services and businesses. To provide satisfying products and services, we practise customer feedback mechanism to handle complaints. Upon receiving complaints, frontline sales staff will identify the cause and handle the case based on internal procedures, and reach a resolution with the customers.

The Group has established VIP membership schemes and communicated with them through channels such as phone call and WeChat to evaluate customer satisfaction and undergo review and analysis. Meanwhile, we monitor the performance of product marketing, and the quality of delivery and warehousing services. Customer reviews on products are collected regularly from distributors for reviewing and improving the workflow and quality of customer service.

During the Reporting Year, we received a total of 63 complaints regarding menswear. Apart from 5 cases on stain issue, the remaining complaints are related to discoloration, mainly caused by improper washing. We decided to exchange the discoloured items for customer to offer customers a satisfying customer experience.

While collecting personal information from VIPs, we recognise the importance of privacy protection. The company has developed our Code of Practice which is in line with the Personal Data (Privacy) Ordinance. Before collecting personal information, we will specify the purpose and seek consent from customers. All customer data collected is used only for sending promotional information and will not be disclosed to any third parties. The information is stored in the Company's protected database that tracks and records all access activities.

Anti-corruption

At the start of the employment relationship, employees in Mainland China have to sign Confidentiality Agreement and Anti-corruption Agreement, while those in Hong Kong have to accept the confidentiality clauses enclosed in the employment contract. During staff orientation programme, new hires are provided with anti-bribery training courses.

The Group practises a whistle-blowing system to encourage employees to report misconduct regarding financial reporting, internal controls or other matters to department head in person or in writing. After collecting sufficient information, the head will submit the report to the Chairman of the Board or the audit committee. Direct reporting should be made to the audit committee if the concern involves the head of department or the Chairman of the Board.

Within 5 working days after receiving the report, the Company will acknowledge receipt of the complaint, assess and decide whether to appoint a principal officer or form a selected committee to take full investigation. The identity of the whistle-blower is kept confidential and is not disclosed without his consent.

During the Reporting Year, no corruption-related legal cases were filed against the Group or its employees.

Involving the community

Upholding the principle of "giving back to society", the Group is dedicated to enhancing the community services and assistance while encouraging employees to participate in community activities to care about our society.

In 2016, the Group continued to be the sole sponsor of the formal attire for the PRC national table tennis team and badminton team. The Group also supplied formal attire to the men's and women's national soccer team. During the Reporting Year, 2,332 pieces of formal wear were sponsored by the Group, showing our support for sports development in China.

In June 2016, the Group launched a WeChat photo collection campaign themed "Time to Reminisce" in Guangdong, Guangxi, Chongqing, Shandong, and Sichuan. The Group's judge panel selected the most heartening and appealing photos and awarded prizes to the winners. It conveys the values of Father's Day to capture and share loving moments between father and children.

In July 2016, the Group organised a 2-day VIP-exclusive "Family Go!" summer camp in Shiwan Dashan National Forest Park in Fangchenggang of Guangxi Province. It aims to promote parent-children bonding through outdoor adventures and communicate ***V.E. DELURE***'s brand theme of "love".

The Board of the Company is pleased to present this Corporate Governance Report in the Group's Annual Report for the Reporting year.

The key corporate governance principles and practices of the Company are summarized below:

Corporate Governance Practices

The Company is committed to achieving high standards of corporate governance to safeguard the interests of its shareholders and to enhance corporate value and accountability.

During the Reporting Year, the Board has reviewed its corporate governance practices and ensures that the Company is in compliance with the code provisions set out in the Corporate Governance Code (the "CG Code") contained in Appendix 14 to the Listing Rules.

In the opinion of the Directors, the Company has complied with all the code provisions as set out in the CG Code during the Reporting Year.

The Company regularly reviews its corporate governance practices to ensure compliance with the CG Code.

The Board

Responsibilities

Overall management of the Company's business is vested in the Board, which assumes responsibility for leadership and control of the Company and is collectively responsible for promoting the success of the Company by directing and supervising its affairs. The Board takes decisions objectively in the interests of the Company.

All Directors have carried out their duties in good faith, in compliance with applicable laws and regulations and in the interests of the Company and its shareholders at all times.

The Company has arranged for appropriate insurance cover for Directors' and officers' liabilities in respect of legal actions against its Directors and senior management arising out of corporate activities.

Delegation of Management Functions

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

All Directors have full and timely access to all relevant information as well as the advice and services of the company secretary of the Company, with a view to ensuring that Board procedures and all applicable laws and regulations are followed. Each Director is normally able to seek independent professional advice in appropriate circumstances at the Company's expense, upon making request to the Board.

The day-to-day management, administration and operation of the Company are delegated to the senior management. The delegated functions and responsibilities are periodically reviewed. Approval has to be obtained from the Board prior to any significant transactions entered into by the senior management.

Board Composition

The Board comprises six members, consisting of three executive Directors and three independent non-executive Directors. The executive Directors and independent non-executive Directors during the Reporting Year and up to the date of this report were as follows:

Executive Directors:

Mr. Chan Yuk Ming *(Chairman of the Board and Share Award Plan Committee)*
Mr. Chen Yunan *(Member of Share Award Plan Committee)*
Mr. Chen Minwen

Independent non-executive Directors:

Mr. Fong Wo, Felix *(Chairman of the Nomination Committee and member of the Audit Committee and Remuneration Committee)*

Mr. Cheng King Hoi, Andrew *(Chairman of the Remuneration Committee and member of the Audit Committee, Nomination Committee and Share Award Plan Committee)*

Mr. Ng Wing Fai *(Chairman of the Audit Committee and member of the Remuneration Committee and Nomination Committee)* (appointed on 7 June 2016)

Mr. Kwok Chi Sun, Vincent *(Chairman of the Audit Committee and member of the Remuneration Committee and Nomination Committee)* (retired on 7 June 2016)

The list of Directors (by category) is also disclosed in all corporate communications issued by the Company from time to time pursuant to the Listing Rules. The independent non-executive Directors are expressly identified in all corporate communications pursuant to the Listing Rules.

The relationships among the members of the Board are disclosed under "Biographical Details of Directors and Senior Management" on pages 53 to 56 to this annual report.

During the Reporting Year, the Board at all times met the requirements of the Listing Rules relating to the appointment of at least three independent non-executive Directors, representing at least one-third of the Board, with at least one independent non-executive Director possessing appropriate professional qualifications or accounting or related financial management expertise.

The Company has received written annual confirmation from each independent non-executive Director of his independence pursuant to the requirements of the Listing Rules. The Company considers all independent non-executive Directors to be independent in accordance with the independence guidelines as set out in the Listing Rules.

All Directors, including independent non-executive Directors, have brought a wide spectrum of valuable business experience, knowledge and professionalism to the Board for its efficient and effective functioning. Independent non-executive Directors have been invited to serve on the Audit, Remuneration, Nomination and Share Award Plan Committees of the Company.

Appointment and Re-Election of Directors

The procedures and process of appointment, re-election and removal of Directors are laid down in the Company's articles of association (the "Articles of Association"). The Nomination Committee is responsible for reviewing the Board composition, developing and formulating procedures for nomination and appointment of Directors, monitoring the appointment and succession planning of Directors and assessing the independence of independent non-executive Directors.

Each of the executive Directors entered into a service agreement with the Company for a term of three years commencing from 4 November 2010, which was renewed for three years commencing from 28 November 2013 and for a further term of three years commencing from 28 November 2016. They are subject to retirement by rotation and re-election at the annual general meeting of the Company under the Articles of Association. Either party may terminate the service agreement by giving the other party not less than six months' notice in writing or by the payment of wages in lieu of the outstanding notice.

The independent non-executive Director, Mr. Fong Wo, Felix entered into an appointment letter with the Company for a term of two years commencing from 4 November 2010, which was renewed for two years commencing from 4 November 2012 and 4 November 2014, and for a further term of two years commencing from 4 November 2016. The other independent non-executive Director, Mr. Cheng King Hoi, Andrew, entered into an appointment letter with the Company for a term of two years commencing from 27 June 2012, which was renewed for two years commencing from 27 June 2014 and for a further term of two years commencing from 27 June 2016. Another independent non-executive Director, Mr. Ng Wing Fai entered into appointment letter with the Company for a term of two years commencing from 7 June 2016. They are subject to retirement by rotation and re-election at the annual general meeting of the Company under the Articles of Association. Either party may terminate the appointment by giving the other party not less than three months' notice in writing.

In accordance with the Articles of Association, all Directors are subject to retirement by rotation at least once every three years and any new Director appointed to fill a casual vacancy or as an addition to the Board shall hold office only until the next following annual general meeting of the Company and shall then be eligible for re-election at that meeting.

Continuous Professional Development of Directors

Directors keep abreast of responsibilities as a director of the Company and of the conduct, business activities and development of the Company.

Every newly appointed Director will receive formal, comprehensive and tailored induction on the first occasion of his appointment to ensure appropriate understanding of the business and operations of the Company and full awareness of director's responsibilities and obligations under the Listing Rules and relevant statutory requirements.

Directors should participate in appropriate continuous professional development to develop and refresh their knowledge and skills to ensure that their contribution to the Board remains informed and relevant. All Directors are encouraged to attend relevant training courses at the Company's expenses.

The following Directors have participated in continuous professional development by attending seminars, in-house briefing or reading materials on the following topics to develop and refresh their knowledge and skills during the Reporting Year:

Directors	Topics of[Note] training covered
Executive Directors	
Mr. Chan Yuk Ming	1,2,4
Mr. Chen Yunan	1,2,4
Mr. Chen Minwen	1,2,4
Independent non-executive Directors	
Mr. Fong Wo, Felix	1,2,3
Mr. Cheng King Hoi, Andrew	1,2,4
Mr. Ng Wing Fai (appointed on 7 June 2016)	1,2,3,4
Mr. Kwok Chi Sun, Vincent (retired on 7 June 2016)	1,2,3,4,5

Note:

1. Corporate governance
2. Regulatory updates
3. Finance and accounting
4. Industry updates
5. Risks and management of the role of independent non-executive directors

In addition, the Company has provided relevant reading materials including legal and regulatory update to all Directors for their reference.

Attendance Records of Directors and Committee Members

Number of Meetings and Directors' Attendance

During the Reporting Year, five Board meetings were held including four regular Board meetings held at approximately quarterly intervals for reviewing and approving the financial and operating performance, and considering and approving the overall strategies and policies of the Company. The Articles of Association provides that the Board or any Board committee meetings may be held by means of telecommunications facility.

During the Reporting Year, three Audit Committee meetings, one Nomination Committee meeting, one Remuneration Committee meeting, one Share Award Plan Committee meeting and one annual general meeting were held.

The attendance records of the Directors at the Board meetings, the Board committee meetings and the general meetings of the Company held during the Reporting Year are set out below:

	Meetings attended/meetings held during the Reporting Year					
Name of Director	Board	Nomination Committee	Remuneration Committee	Audit Committee	Share Award Plan Committee	Annual General Meeting
Chan Yuk Ming	5/5	–	–	–	1/1	1/1
Chen Yunan	5/5	–	–	–	1/1	0/1
Chen Minwen	5/5	–	–	–	–	0/1
Fong Wo, Felix	5/5	1/1	1/1	3/3	–	1/1
Cheng King Hoi, Andrew	5/5	1/1	1/1	3/3	1/1	1/1
Ng Wing Fai (appointed on 7 June 2016)	1/1	–	–	1/1	–	–
Kwok Chi Sun, Vincent (retired on 7 June 2016)	4/4	1/1	1/1	2/2	–	1/1

Apart from the above meetings, the Chairman of the Board also held one meeting with the independent non-executive Directors without the presence of executive Directors during the Reporting Year.

Practices and Conduct of Meetings

Annual meeting schedules and draft agenda of each meeting are normally made available to Directors in advance.

Notices of regular Board meetings are served to all Directors at least 14 days before the meeting. For other Board and committee meetings, reasonable notice is generally given.

Board papers together with all appropriate, complete and reliable information are sent to all Directors at least three days before each Board meeting or committee meeting to keep Directors apprised of the latest developments and financial position of the Company and to enable them to make informed decisions. The Board and each Director also have separate and independent access to the senior management where necessary.

The Directors attends all regular Board meetings and where necessary, other Board and committee meetings, to advise on business developments, financial and accounting matters, statutory and regulatory compliance, corporate governance and other major aspects of the Company. Minutes of meetings were kept by the secretary of meetings. Draft minutes are normally circulated to Directors for comment within a reasonable time after each meeting and final versions are open for Directors' inspection.

The Articles of Association contain provisions requiring Directors to abstain from voting and not to be counted in the quorum at meetings for approving transactions in which such Directors or any of their associates have a material interest.

Chairman and Chief Executive Officer

The Chairman of the Board is Mr. Chan Yuk Ming, who provides leadership for the Board and is also responsible for chairing the meetings, managing the operations of the Board, and ensuring that all major and appropriate issues are discussed by the Board in a timely and constructive manner.

At present, the Company does not have any officer with the title of "Chief Executive Officer". The executive Director, Mr. Chen Yunan is responsible for running the Company's business and implementing the Group's business goals.

The Board shall review its structure from time to time to ensure appropriate and timely action to meet changing circumstances.

Board Committees

The Board has established four committees, namely, the Nomination Committee, Remuneration Committee, Audit Committee and Share Award Plan Committee, for overseeing particular aspects of the Company's affairs. All Board committees of the Company are established with defined written terms of reference. The terms of reference of the Board committees are posted on the Company's website and the Stock Exchange's website and are available to shareholders upon request. All members of Nomination Committee, Remuneration Committee and Audit Committee are independent non-executive Directors.

Board committees are provided with sufficient resources to discharge their duties and, upon reasonable request, are able to seek independent professional advice in appropriate circumstances at the Company's expenses.

Nomination Committee

The Nomination Committee currently comprises three members, namely, Mr. Fong Wo, Felix (Chairman), Mr. Cheng King Hoi, Andrew and Mr. Ng Wing Fai, all are independent non-executive Directors.

The principal duties of the Nomination Committee include reviewing the Board composition, developing and formulating relevant procedures for the nomination and appointment of Directors, making recommendations to the Board on the appointment and succession planning of Directors, and assessing the independence of independent non-executive Directors.

In assessing the Board composition, the Nomination Committee would take into account various aspects set out in the board diversity policy of the Company (the "Board Diversity Policy"), including but not limited to gender, age, cultural and educational background, professional qualifications, skills, knowledge and industry and regional experience. The Nomination Committee would discuss and agree on measurable objectives for achieving diversity on the Board, where necessary, and recommend them to the Board for adoption.

The Nomination Committee held one meeting during the Reporting Year to review the structure, size and composition of the Board and the independence of the independent non-executive Directors, and to consider the qualifications of the retiring Directors and new Director standing for election at the annual general meeting. The Nomination Committee also considered an appropriate balance of diversity perspectives of the Board is maintained. The attendance records of the Nomination Committee meeting are set out under "Attendance Records of Directors and Committee Members".

Pursuant to Article 16.18 of the Articles of Association, Mr. Chan Yuk Ming and Mr. Fong Wo, Felix shall retire from the office by rotation at the forthcoming annual general meeting of the Company ("AGM") to be held on Thursday, 8 June 2017. Both the retiring Directors, being eligible, will offer themselves for re-election.

The Nomination Committee recommended the re-appointment of the retiring Directors standing for re-election at the AGM.

The Company's circular dated 28 April 2017 contains detailed information of the retiring Directors standing for re-election to be elected at the AGM.

Remuneration Committee

The Remuneration Committee currently comprises three members, namely, Mr. Cheng King Hoi, Andrew (Chairman), Mr. Fong Wo, Felix and Mr. Ng Wing Fai, all are independent non-executive Directors.

The primary functions of the Remuneration Committee include reviewing and making recommendations to the Board on the remuneration packages of individual executive Directors and senior management, the remuneration policy and structure for all Directors and senior management. The Remuneration Committee is also responsible for establishing formal and transparent procedures for developing such remuneration policy and structure to ensure that no Director or any of his associates will participate in deciding his own remuneration.

The Remuneration Committee held one meeting during the Reporting Year to review and make recommendation to the Board on the remuneration policy and structure of the Company, and the remuneration packages of the executive Directors and senior management, and other related matters. The attendance records of the Remuneration Committee meeting are set out under "Attendance Records of Directors and Committee Members".

There are 12 members of senior management (including executive Directors) in the Group whereas 6 members of senior management have remuneration of RMB1,000,000 or below, 2 members of senior management have remuneration between RMB1,000,001 to RMB1,500,000, 3 members of senior management have remuneration between RMB2,000,001 to RMB2,500,000 and 1 member of senior management has remuneration of RMB2,500,001 to RMB3,000,000.

Audit Committee

The Audit Committee currently comprises three independent non-executive Directors, namely, Mr. Ng Wing Fai (Chairman), Mr. Fong Wo, Felix and Mr. Cheng King Hoi, Andrew (including one independent non-executive Director with appropriate professional qualifications or accounting or related financial management expertise). None of the members of the Audit Committee is a former partner of the Company's existing external auditors.

The main duties of the Audit Committee are to assist the Board in reviewing the financial information and reporting process, internal control and risk management systems, audit plan and relationship with external auditors, and arrangements to enable employees of the Company to raise, in confidence, concerns about possible improprieties in financial reporting, internal control or other matters of the Company. The oversight of risk management functions was adopted into the Audit Committee's terms of reference and approved by the Board on 8 December 2015 pursuant to the new amendments to the Appendix 14 of the Listing Rules with effect from 1 January 2016.

The Audit Committee held three meetings during the Reporting Year to review the interim and annual financial results and reports, and significant issues on the financial reporting and compliance procedures and risk management and internal control systems and processes, scope of work and appointment of external auditors and arrangements for employees to raise concerns about possible improprieties. The attendance records of the Audit Committee meetings are set out under "Attendance Records of Directors and Committee Members".

The Audit Committee had reviewed the adequacy and effectiveness of the Group's systems of internal control and risk management during the year.

The Audit Committee also met the external auditors three times without the presence of the executive Directors.

The Company's annual results for the year ended 31 December 2016 have been reviewed by the Audit Committee.

Share Award Plan Committee

The Share Award Plan Committee currently comprises three members, namely Mr. Chan Yuk Ming (Chairman), Mr. Chen Yunan and Mr. Cheng King Hoi, Andrew.

The Share Award Plan Committee is responsible for providing oversight and administration of the Share Aware Plan of the Company and may during the period of the Share Award Plan and at its absolute discretion, make awards to any eligible persons and determine the number of Shares to be awarded to such eligible persons on such terms and subject to such vesting conditions, if any, as the Share Award Plan Committee thinks fit.

The Share Award Plan Committee held one meeting during the Reporting Year to review and approve the number of shares to be purchased under the terms of the Share Award Plan. The attendance records of the Share Award Plan Committee meeting are set out under "Attendance Records of Directors and Committee Members".

Corporate Governance Functions

The Board is responsible for performing the functions set out in the code provision D.3.1 of the CG Code.

The Board reviewed the Company's corporate governance policies and practices, training and continuous professional development of Directors and senior management, the Company's policies and practices on compliance with legal and regulatory requirements, the compliance of the Model Code for Securities Transactions by Directors of Listed Issuers (the "Model Code"), and the Company's compliance with the CG Code and disclosure in this Corporate Governance Report.

Model Code for Securities Transactions

The Company has adopted the Model Code as set out in Appendix 10 to the Listing Rules as its code of conduct for dealings in securities of the Company by Directors.

Specific enquiry has been made to all the Directors and all the Directors have confirmed that they have complied with the Model Code throughout the Reporting Year.

No incident of non-compliance of the written guidelines governing the securities transactions by employees who are likely to be in possession of unpublished inside information of the Company by the employees was noted by the Company during the Reporting Year.

Disclosure of Inside Information

The Group acknowledges its responsibilities under the Securities and Futures Ordinance, Chapter 571 of the laws of Hong Kong and the Listing Rules and the overriding principle that inside information should be announced immediately when it is the subject of a decision. The procedures and internal controls for the handling and dissemination of inside information are as follows:

(a) the Group conducts its affairs with close regard to the disclosure requirement under the Listing Rules as well as the "Guidelines on Disclosure of Inside Information" published by the Securities and Futures Commission of Hong Kong;

(b) the Group has implemented and disclosed its policy on fair disclosure by pursuing broad, non-exclusive distribution of information to the public through channels such as financial reporting, public announcements and its website;

(c) the Group has strictly prohibited unauthorised use of confidential or inside information; and

(d) the Group has established and implemented procedures for responding to external enquiries about the Group's affairs, so that only the Chairman of the Board, the executive Directors designated by the Chairman of the Board and the chief financial officer are authorised to communicate with parties outside the Group.

Directors' Responsibilities in respect of the Financial Statements

The Directors acknowledge their responsibility for preparing the financial statements of the Company for the year ended 31 December 2016.

The Directors are not aware of any material uncertainties relating to events or conditions that may cast significant doubt upon the Company's ability to continue as a going concern.

The statement of the independent auditors of the Company about their reporting responsibilities on the financial statements is set out in the Independent Auditor's Report on pages 57 to 62 to this annual report.

There is no disagreement between the Board and the Audit Committee regarding the selection, appointment, resignation or dismissal of external auditors.

Auditors' Remuneration

During the Reporting Year, the fees paid/payable to the Company's external auditors, Ernst & Young, is set out below:

Service Category	Fees Paid/ Payable (RMB)
Audit Services	1,650,000
Non-audit Services	
— Taxation	200,000
— Others	20,000
	1,870,000

Other certified public accountants firm charged the Group RMB106,000 for the provision of audit services to the Company's subsidiaries in the PRC.

Internal Control and Risk Management

The Board has overall responsibilities for maintaining a sound and effective risk management and internal control systems of the Group and reviewing the effectiveness of these systems. The systems include a defined management structure with limits of authority, and are designed to help the Group identify and manage the significant risks to achieve its business objectives, safeguard its assets against unauthorised use or disposition, ensure the maintenance of proper accounting records for the provision of reliable financial information for internal use or for publication, and ensure compliance with relevant laws and regulations. The systems are designed to provide reasonable, but not absolute, assurance against material misstatement or loss, and to manage rather than eliminate risks of failure in the Group's operational systems and in the achievement of the Group's business objectives. The Group has an internal audit department which reviews and evaluates the control process, monitors any risk factors on a regular and ongoing basis, and reports to the Board on any findings and measures to address variances and identified risks.

For the year ended 31 December 2016, the Board has entrusted the Audit Committee to review the Group's risk management and internal control policy which, among other things, included the determination of risk factors, evaluation of risk level the Group could take and effectiveness of risk management measures. The Group also appointed an independent professional consultant with the responsibility to perform the review on the compliance of the code provisions set out in the CG Code contained in Appendix 14 to the Listing Rules and related procedures of the Group. The assessment report was reviewed by the Audit Committee and the Board. No major issue was raised for improvement.

The Board is of the opinion that the resources for and qualifications of staff of the Company's accounting and financial reporting function are adequate and sufficient. Based on the reports from the Audit Committee and the professional consultant, the Board considers the Group's risk management and internal control systems are adequate and effective and the Group has complied with the provisions on risk management and internal control as set out in the CG code.

Company Secretary

Mr. Hung Hing Hung was appointed as the Company Secretary and authorised representative of the Company following the resignation of Mr. Li Wai Leung, with effect from 1 January 2017. During the Reporting Year, Mr. Li has confirmed that he undertook no less than 15 hours of relevant professional trainings to update the skills and knowledge.

Communication with Shareholders and Investors

The Company considers that effective communication with shareholders is essential for enhancing investor relations and investor understanding of the Group's business performance and strategies. The Company endeavours to maintain an ongoing dialogue with shareholders and in particular, through annual general meetings and other general meetings.

The general meetings of the Company provide a forum for communication between the Board and the shareholders. The Chairman of the Board as well as chairmen of the Nomination Committee, Remuneration Committee, Audit Committee and Share Award Plan Committee (or their delegates) will make themselves available at the annual general meeting to meet shareholders and answer their enquiries.

The 2016 AGM was held on 7 June 2016. The notice of AGM was sent to shareholders at least 20 clear business days before the AGM.

To promote effective communication, the Company maintains a website at www.evergreen-intl.com where up-to-date information and updates on the Company's financial information, corporate governance practices and other information are posted.

During the Reporting Year, the Company has not made any changes to its Articles of Association. An up-to-date version of Articles of Association is also available on the Company's website and the Stock Exchange's website.

Shareholders' Rights

To safeguard shareholders' interests and rights, a separate resolution is proposed for each substantially separate issue at general meetings, including the election of individual Directors.

Pursuant to the Articles of Association, all resolutions put forward at general meetings will be voted by poll. Poll results will be posted on the websites of the Company and of the Stock Exchange after each general meeting.

Convening and putting forward proposals at Extraordinary General Meeting by Shareholders

Pursuant to Article 12.3 of the Articles of Association, an extraordinary general meeting shall be convened by the Board on the written requisition of any two or more shareholders or any one shareholder which is a recognised clearing house (or its nominee(s)) holding not less than one-tenth of the paid up capital of the Company which carries the voting right at general meetings of the Company. The written requisition shall be deposited at the principal office of the Company in Hong Kong, or the registered office in the event the Company ceases to have such a principal office, specifying the objects of the meeting and signed by the requisitionist(s).

If the Board does not within 21 days from the date of deposit of the written requisition proceed duly to convene the meeting to be held within a further 21 days, the requisitionist(s) themselves or any of them representing more than one-half of the total voting rights of all of them, may convene the extraordinary general meeting in the same manner, as nearly as possible, as that in which meetings may be convened by the Board, within 3 months from the date of deposit of the written requisition, and all reasonable expenses incurred by the requisitionist(s) as a result of the failure of the Board shall be reimbursed to them by the Company.

Shareholders should follow the requirements and procedures as set out above for putting forward proposals at extraordinary general meetings of the Company.

Putting Forward Enquiries to the Board

For putting forward any enquiries to the Board, shareholders may send written enquiries to the Company.

Note: The Company will not normally deal with verbal or anonymous enquiries.

Contact Details

Shareholders may send their enquiries or requests as mentioned above to the following:

Address: Rooms 1305–1307, 13/F,
New East Ocean Centre,
9 Science Museum Road,
Tsimshatsui East, Kowloon, Hong Kong
(For the attention of the Chairman of the Board)
Fax: (852) 2671 8738
Email: ircontact@evergreen-intl.com

For the avoidance of doubt, shareholder(s) must deposit and send the original duly signed written requisition, notice or statement, or enquiry (as the case may be) to the above address and provide their full name, contact details and identification in order to give effect thereto. Shareholders' information may be disclosed as required by law.

Shareholders may call the Company at (852) 2712 2288 for any assistance.

Deed of Non-competition

As disclosed in the Company's prospectus (the "Prospectus") dated 22 October 2010, each of the Controlling Shareholders (as defined in the Prospectus) entered into a deed of non-competition dated 8 October 2010 (the "Deed of Non-Competition") in favour of the Company (for its own and on behalf of all members of the Company and its subsidiaries).

The Company has received declarations made from the Controlling Shareholders on compliance with the Deed of Non-Competition for the Reporting Year.

The independent non-executive Directors have conducted a review on the compliance with the Deed of Non-Competition by the Controlling Shareholders and their respective Associates (as defined in the Prospectus), the options, pre-emptive rights or first rights of refusal (if any) provided by the Controlling Shareholders and their respective Associates on their existing or future competing business.

The Directors present their report and the audited consolidated financial statements of the Group (the "Financial Statement") for the Reporting Year.

Principal Activities

The principal activities of the Group are the manufacturing and trading of clothing and clothing accessories. The principal activities and other particulars of the subsidiaries are set out in note 1 to the financial statements. During the Reporting Year, there were no significant changes in the Group's principal activities.

Results and Dividends

The results of the Group for the year ended 31 December 2016 and the state of affairs of the Group are set out in the consolidated financial statements on pages 63 to 123 of this annual report.

No interim dividend was declared and paid during the year ended 31 December 2016 (2015: Nil).

The Board did not recommend the payment of a final dividend for the year ended 31 December 2016 (2015: Nil).

Business Review

(a) Business review and financial performance

A fair review and the outlook of the Group's business can be found in Chairman's Statement on pages 9 to 11 and Management Discussion and Analysis section on pages 12 to 24 of this annual report. Certain financial key performance indicators which complement and supplement our financial disclosures are set out on page 8 of this annual report.

No important event affecting the Group has occurred since the end of the financial year under review.

(b) Principal risks and uncertainties

(i) Macroeconomic environment and intense competition

The volatile macroeconomic dynamics and the intense competition in the apparel industry are the principal inherent risks and uncertainties to the Group, affecting our results and business operation. Fashion products may be considered as discretionary items for consumers when there was a downturn economic circumstance. Consumer may reduce their spending on our products and lead to the decrease in the Company's revenue and profits. Moreover, we compete with different Chinese and foreign menswear and kidswear brands in product designs, production costs, marketing programs and customer services. If we do not respond timely to our competitors, it will lead to the increase in costs and decline of the revenue and profits. It is important that the Group adjusts the business plan under different market conditions.

(ii) Fashion design trend risk

The world's fashion trend always changes because of the culture exchange and the high-speed of information exchange through the internet. In addition to the importance of product quality control, we always emphasis the anticipation and quick respond on the fashion trend on consumer preference. Failure to anticipate and respond timely to changing consumer preferences could lead to lower sales and excess inventory levels. With respect to each design concept, it is important to have the right volume of stocks and strike the right balance in the mix between fashion basics and the latest trends.

(iii) Supply chain risk

As we do not own or operate any manufacturing facilities and depend upon independent manufacturers to produce most of our products and materials, any disruption in the supply of fabric, raw materials and products from suppliers may cause problems in our supply chain. We have developed long-standing relationships with a number of our vendors so as to minimize the impact from any supply disruptions and ensure we can locate alternative suppliers of comparable quality at a reasonable price all the time.

(iv) **Foreign Exchange Rates Risk**
The Group conducts business primarily in Hong Kong and Mainland China with most of the transactions denominated and settled in Renminbi and Hong Kong dollars. Nevertheless, the Group purchases some raw materials and outsourced products in Euro and depreciation of Renminbi against these foreign currencies would increase the cost of sales of the Group.

(v) **Liquidity Risk**
Liquidity risk is the potential that our Group will be unable to meet its obligations when they fall due because of an inability to obtain adequate funding or liquidate assets. In managing liquidity risk, our Group monitors cash flows and maintains an adequate level of cash and cash equivalent to ensure the ability to finance the Group's operations and reduce the effects of fluctuation in cash flows.

The relationships between the Group with its stakeholders including employees, customers and suppliers are provided in Management Discussion and Analysis section on pages 12 to 24 and "Major customers and suppliers" section on page 44 of this annual report respectively.

Environmental Policies and Performance

The Group is committed to achieving environmental sustainability and promoting the development to incorporate into its long-term corporate business strategies. The Group has formed an environmental management task group to collect and monitor the relevant environmental performance data, and ensure the business operation are in compliance with local laws and regulations.

The Group formulated a series of environmental policies and delivered to its staff as practical guidance to promote the concepts of reducing, reusing and recycling in resources management throughout our operations. Meanwhile, with the launch of OA system and promotion of mobile communication equipment, the Group strives to enhance employees' awareness to conserve energy and utilities usage, work in paperless office and use more environmentally-friendly office supplies and materials.

The Group will continue its efforts to enhance these systematic environmental policies so as to measure, control and mitigate our environmental impacts and conduct our business operation in a sustainable and responsible manner for long-term growth and development.

Compliance with Laws and Regulations

The principal places of operation of the Group covered Hong Kong, Macau and the PRC. The Directors are of the opinion that the Group complied with all relevant laws and regulations in these regions that have significant impacts on the business operation of the Group.

Summary Financial Information

A summary of the results and of the assets and liabilities of the Group for the last five financial years is set out on page 124 of this annual report. This summary does not form part of the audited financial statements.

Property, Plant and Equipment

Details of movements in property, plant and equipment of the Group during the Reporting Year are set out in note 13 to the financial statements.

Share Capital

There was no change in the Company's share capital during the Reporting Year.

Pre-Emptive Rights

There are no provisions for pre-emptive rights under the Articles of Association, and there was no restriction against such rights under the laws of the Cayman Islands, which would oblige the Company to offer new shares on a pro-rata basis to existing shareholders.

Purchase, Redemption or Sale of Listed Securities of the Company

Neither the Company nor any of its subsidiaries had purchased, redeemed or sold any of the Company's listed securities during the Reporting year except that the trustee of the Share Award Plan, pursuant to the terms of the trust deed of the Share Award Plan, purchased a total of 650,000 Shares on the Stock Exchange at a total consideration of HK$494,000.

Reserves

Details of movements in reserves of the Group and the Company during the Reporting Year are set out in the consolidated statement of changes in equity and notes 32 and 40 to the financial statements, respectively.

Distributable Reserves

As at 31 December 2016, the distributable reserves of the Company, including the share premium account, calculated in accordance with the Companies Law, Cap 22 (Law 3 of 1961, as consolidated and revised) of the Cayman Islands (the "Companies Law") , amounted to approximately RMB587,474,000 (2015: RMB601,644,000). Under the Companies Law, a company may make distribution to its shareholders out of the share premium account under certain circumstances.

Major Customers and Suppliers

The Group strives for the long standing relationship with customers and suppliers. The suppliers offered raw materials, licensed brand products and also furnished production process of most of the apparel and accessories products. The Group aligned its values and commitment to high quality and ethics standard with our suppliers by way of continuous communication and evaluation process.

The Group is dedicated to offer responsive customer services and rewarding experience to our customers with high quality products to maintain customer satisfaction and co-operation. The Group stays connected with our customers through the VIP membership system. By enhancing various marketing communication channels, especially through the new media platforms, launching VIP-specific marketing campaigns, and addressing the immediate and long-term needs of our customers, the Group is endeavored to strengthen the customer loyalty in building a long term close relationship with customers.

The information in respect of the Group's aggregate sales and purchases attributable to the major customers and suppliers respectively during the Reporting Year is as follows:

	2016		2015	
	Percentage of the Group's total		Percentage of the Group's total	
	Sales	**Purchases**	Sales	Purchases
The largest customer	**3.2%**		2.2%	
Five largest customers in aggregate	**12.0%**		10.6%	
The largest supplier		**18.2%**		20.0%
Five largest suppliers in aggregate		**53.6%**		41.2%

None of the Directors, their close associates or any shareholder (which to the knowledge of the Directors own more than 5% of the number of issued shares of the Company) had any beneficial interest in these major customers or suppliers.

Directors

During the Reporting Year and up to the date of this annual report, the Directors were as follows:

Executive Directors:
Chan Yuk Ming *(Chairman)*
Chen Yunan
Chen Minwen

Independent non-executive Directors:
Fong Wo, Felix
Cheng King Hoi, Andrew
Ng Wing Fai (appointed on 7 June 2016)
Kwok Chi Sun, Vincent (retired on 7 June 2016)

Mr. Kwok Chi Sun, Vincent retired as an independent non-executive Director at the annual general meeting held on 7 June 2016 in accordance with the Articles of Association and did not offer himself for re-election since he wishes to focus on his other business commitments. Mr. Ng Wing Fai was elected as an independent non-executive Director of the Company with effect from 7 June 2016, to fill the vacancy left by the retirement of Mr. Kwok.

Pursuant to Article 16.18 of the Articles of Association, Mr. Chan Yuk Ming and Mr. Fong Wo, Felix shall retire from the office by rotation at the forthcoming AGM. Both the retiring Directors, being eligible, will offer themselves for re-election.

Pursuant to Rule 3.13 of the Listing Rules, the Company has received annual confirmations of independence from each of the independent non-executive Directors, and as at the date of this annual report still considers them to be independent.

Directors' and Senior Managements' Biographies

Biographical details of the Directors and the senior management of the Group are set out on pages 53 to 56 of this annual report.

Change of Director's/Chief Executive's Information

Mr. Fong Wo, Felix, an independent non-executive Director, resigned as an independent non-executive director of China Oilfield Services Limited, whose shares are listed on the Stock Exchange (stock code: 2883) and the Shanghai Stock Exchange (stock code: 601808) with effect from 1 June 2016.

Directors' Service Contracts

Each of the Executive Directors entered into a service agreement with the Company for a term of three years commencing from 4 November 2010, which was renewed for three years commencing from 28 November 2013 and for a further term of three years commencing from 28 November 2016. They are subject to retirement by rotation and re-election at the annual general meeting of the Company under the Articles of Association. Either party may terminate the service agreement by giving the other party not less than six months' notice in writing or by the payment of wages in lieu of the outstanding notice.

The independent non-executive Director, Mr. Fong Wo, Felix, entered into an appointment letter with the Company for a term of two years commencing from 4 November 2010, which was renewed for two years commencing from 4 November 2012 and 4 November 2014, and for a further term of two years commencing from 4 November 2016. The other independent non-executive Director, Mr. Cheng King Hoi, Andrew, entered into an appointment letter with the Company for a term of two years commencing from 27 June 2012, which was renewed for two years commencing from 27 June 2014, and for a further term of two years commencing from 27 June 2016. Another independent non-executive Director, Mr. Ng Wing Fai entered into an appointment letter with the Company for a term of two years commencing from 7 June 2016. They are subject to retirement by rotation and re-election at the annual general meeting of the Company under the Articles of Association. Either party may terminate the appointment by giving the other party not less than three months' notice in writing.

Apart from the foregoing, no Director proposed for re-election at the forthcoming AGM has a service contract with the Company which is not determinable by the Company within one year without payment of compensation, other than statutory compensation.

Directors' Remuneration

Details of the remuneration of the Directors are set out in note 8 to the financial statements, which are recommended by the Remuneration Committee of the Company by reference to the performance of the individual and the Company as well as market practice and conditions.

Directors' material interests in transactions, arrangements and contracts that are significant in relation to the Group's business

No transactions, arrangements and contracts of significance in relation to the Group's business to which the Company, any of its subsidiaries, fellow subsidiaries or its parent company was a party and in which any Director or an entity connected with a Director was materially interested, either directly or indirectly, subsisted during or at the end of the Reporting Year.

Directors' and Chief Executives' Interests and Short Positions in Shares, Underlying Shares and Debentures

As at 31 December 2016, the interests or short positions of the Directors, the chief executives of the Company (the "Chief Executives") and their associates in the shares, underlying shares and debentures of the Company or any of its associated corporations, as recorded in the register required to be kept by the Company pursuant to Section 352 of Part XV of the Securities and Futures Ordinance (the "SFO"), or as otherwise notified to the Company and the Stock Exchange pursuant to the Model Code, were as follows:

Name of Director	Long/Short position	Type of interest	Number of Shares and underlying Shares held	Approximate percentage of shareholding in the Company
Chan Yuk Ming	Long position	Founder of a discretionary trust *(Note 1)*	483,934,814	51.00%
		Beneficial owner *(Note 2)*	1,736,000	0.18%
		Beneficial owner *(Note 3)*	4,000,000	0.42%
Chen Yunan	Long position	Beneficial of a trust *(Note 1)*	483,934,814	51.00%
		Beneficial owner *(Note 3)*	4,000,000	0.42%
Chen Minwen	Long position	Beneficial of a trust *(Note 1)*	483,934,814	51.00%
		Beneficial owner *(Note 3)*	4,000,000	0.42%
Cheng King Hoi, Andrew	Long position	Beneficial owner *(Note 4)*	900,000	0.09%
Fong Wo, Felix	Long position	Beneficial owner *(Note 4)*	900,000	0.09%

Notes:

1. The 483,934,814 Shares were held by Pacific Success Holdings Limited ("Pacific Success"), a company wholly-owned by Evisu (PTC) Limited ("Evisu"). Evisu is the trustee of a discretionary trust of which Mr. Chan Yuk Ming was the founder and each of Mr. Chen Yunan and Mr. Chen Minwen was a beneficiary. Each of Mr. Chan Yuk Ming, Mr. Chen Yunan and Mr. Chen Minwen was deemed to be interested in such Shares held by Pacific Success under the SFO.

2. These 1,736,000 Shares were held directly by Mr. Chan Yuk Ming.

3. Each of Mr. Chan Yuk Ming, Mr. Chen Yunan and Mr. Chen Minwen was interested in 4,000,000 underlying Shares in respect of share options granted under the new share option scheme adopted on 6 January 2014 (the "New Share Option Scheme")

4. Each of Mr. Cheng King Hoi, Andrew and Mr. Fong Wo, Felix was interested in 900,000 underlying Shares in respect of share options granted under the New Share Option Scheme.

Save as disclosed above, as at 31 December 2016, none of the Directors, the Chief Executives nor their associates had registered an interest or short position in the Shares, underlying Shares or debentures of the Company or any of its associated corporations that would have to be notified to the Company and the Stock Exchange pursuant to Division 7 and 8 of Part XV of the SFO, or which were 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' Rights to Acquire Shares or debentures

Save as disclosed in "Directors' and Chief Executives' Interests and Short Positions in Shares, Underlying Shares and Debentures" section above and in "Share Option Scheme" below, at no time during the Reporting Year was the Company, its holding company or its subsidiaries or a subsidiary of the Company's holding company, a party to any arrangements that would enable the Directors to acquire benefits by mean of acquisition of shares in or debentures of the Company or any other body corporate, and none of the Directors or any of their spouses or children under the age of 18 were granted any right to subscribe for the equity or debt securities of the Company nor exercised any such right.

Share Option Scheme

The share option scheme of the Company (the "Share Option Scheme") was adopted pursuant to the resolutions of all the shareholders passed on 8 October 2010 (the "Adoption Date") and shall be valid and effective for a period of 10 years commencing on the Adoption Date. The Share Option Scheme was terminated and the New Share Option Scheme was adopted pursuant to resolutions passed by the shareholders at the extraordinary general meeting held on 6 January 2014 ("New Adoption Date"). Since the adoption of the Share Option Scheme on 8 October 2010 until its termination, no options have been granted under the Share Option Scheme. A summary of the New Share Option Scheme is set out below:

(a) Purpose

To attract, retain and motivate talented personnel to strive for future developments and expansion of the Group, and to provide the Company with a flexible means of giving incentive to, remunerating, compensating and/or providing benefits to them.

(b) Participants

Any director (whether executive, non-executive or independent non-executive director) and any full-time or part-time (with weekly working hours of 10 hours or above) employees of the Group and any advisor, consultant, providers of goods and/or services of any members of the Group and any other persons that the Board considers, at its absolute discretion, to have contributed to the Group.

(c) Total number of Shares available for issue

The total number of Shares which may be issued upon exercise of all options to be granted under the New Share Option Scheme and any schemes of the Group shall not in aggregate exceed 10% of Shares in issue as at the New Adoption Date (the "Limit"), unless the Company obtains an approval from its shareholders and must not exceed 30% of the Shares in issue from time to time. Options lapsed in accordance with the terms of the New Share Option Scheme will not be counted for the purpose of calculating the Limit. As at the date of this annual report, the total number of shares available for issue under the New Share Option Scheme was 94,882,576 Shares, representing approximately 10% of the total issued share capital of the Company as at the New Adoption Date.

(d) Maximum entitlement of each participants

The maximum number of Shares in respect of which options (including both exercised and outstanding options) may be granted under the New Share Option Scheme to each grantee in any period of 12 consecutive months up to and including the date of grant shall not exceed 1% of the Shares in issue as at the date of grant, unless an approval of its shareholders is obtained.

(e) Option period

The period within which the Shares must be taken up under an option shall be determined by the Board at its absolute discretion and in any event, such period shall not be longer than 10 years from the date upon which any particular option is granted in accordance with the New Share Option Scheme.

(f) Minimum period for which an option must be held before it can be exercised

Unless otherwise determined by the Board and specified in the offer letter, there is no minimum period for which an option must be held before it can be exercised and no performance target needs to be achieved by the grantee before the options can be exercised.

(g) Consideration on acceptance of the option

The amount payable on application or acceptance of the option shall be HK$1.00 and shall be paid by grantee within a period of 28 days from the date of offer or such other period as the Board may specify.

(h) Basis of determining the subscription price

The subscription price shall be determined by the Board in its absolute discretion, save that such price shall not be less than the higher of:

(i) the closing price of the Shares as stated in the Stock Exchange's daily quotations sheets on the date of offer which must be a business day;

(ii) the average closing price of the Shares as stated in the Stock Exchange's daily quotations sheets for the five business days immediately preceding the date of offer; and

(iii) the nominal value of the Shares.

(i) Remaining life of the New Share Option Scheme

The New Share Option Scheme shall be valid and effective for a period of 10 years commencing from the New Adoption Date up to 5 January 2024.

Particulars and movements of share options granted under the New Share Option Scheme during the Reporting year were as follows:

				Number of share options							
Name or category of Grantees	Date of grant	Exercise price per Share (HK$)	Exercise period	Outstanding as at 1 January 2016	Granted during Reporting Year	Exercised during Reporting Year	Transferred to other category during Reporting Year	Transferred from other category during Reporting Year	Lapsed/ forfeited during Reporting Year	Outstanding as at 31 December 2016	Closing price of the Shares immediately before the grant date HK$ per share
Executive Directors											
Chan Yuk Ming	23/01/2015	0.78	30/04/2016–30/04/2021	1,000,000	–	–	–	–	–	1,000,000	0.78
	23/01/2015	0.78	30/04/2017–30/04/2022	2,000,000	–	–	–	–	(1,000,000)	1,000,000	0.78
	23/01/2015	0.78	30/04/2018–30/04/2023	2,000,000	–	–	–	–	–	2,000,000	0.78
Chen Yunan	23/01/2015	0.78	30/04/2016–30/04/2021	1,000,000	–	–	–	–	–	1,000,000	0.78
	23/01/2015	0.78	30/04/2017–30/04/2022	2,000,000	–	–	–	–	(1,000,000)	1,000,000	0.78
	23/01/2015	0.78	30/04/2018–30/04/2023	2,000,000	–	–	–	–	–	2,000,000	0.78
Chen Minwen	23/01/2015	0.78	30/04/2016–30/04/2021	1,000,000	–	–	–	–	–	1,000,000	0.78
	23/01/2015	0.78	30/04/2017–30/04/2022	2,000,000	–	–	–	–	(1,000,000)	1,000,000	0.78
	23/01/2015	0.78	30/04/2018–30/04/2023	2,000,000	–	–	–	–	–	2,000,000	0.78
Independent non-executive Directors											
Cheng King Hoi, Andrew	23/01/2015	0.78	30/04/2015–30/04/2020	900,000	–	–	–	–	–	900,000	0.78
Fong Wo, Felix	23/01/2015	0.78	30/04/2015–30/04/2020	900,000	–	–	–	–	–	900,000	0.78
Kwok Chi Sun, Vincent *(Note)*	23/01/2015	0.78	30/04/2015–30/04/2020	900,000	–	–	(900,000)	–	–	–	0.78
Subtotal				17,700,000	–	–	(900,000)	–	(3,000,000)	13,800,000	
Employees (In aggregate)	23/01/2015	0.78	30/04/2016–30/04/2021	4,450,000	–	–	–	–	–	4,450,000	0.78
			30/04/2017–30/04/2022	8,000,000	–	–	–	–	(4,200,000)	3,800,000	0.78
			30/04/2018–30/04/2023	7,000,000	–	–	–	–	(200,000)	6,800,000	0.78
Subtotal				19,450,000	–	–	–	–	(4,400,000)	15,050,000	
Other Grantees *(Note)*	23/01/2015	0.78	30/04/2015–30/04/2020	–	–	–	–	900,000	–	900,000	0.78
Total				37,150,000	–	–	(900,000)	900,000	(7,400,000)	29,750,000	

Note: Mr. Kwok Chi Sun, Vincent retired as an independent non-executive Director on 7 June 2016. The share options granted to Mr. Kwok remain exercisable following his retirement were re-classified to the category "Other Grantees" during the Reporting Year.

The vesting period of the share options is from the date of grant until the commencement of the exercise period of five years. The share options granted to the executive Directors and the employees shall vest on 30 April 2016, 2017 and 2018 subject to the fulfillment of the performance targets that a 15% increase in net profit for the financial year ended 31 December 2015 and 2016 and financial year ending 31 December 2017, respectively, when compared to their immediate preceding financial year excluding all exceptional items in the consolidated statement of profit or loss and other comprehensive income. If the target net profit cannot be achieved in a particular financial year, only 50% of the share options granted to the executive Directors and the employees shall be vested, the remaining 50% of the options granted to them for that particular year shall lapse automatically.

The share options granted to the independent non-executive Directors were vested on 30 April 2015.

Share Award Plan

The Share Award Plan was adopted by the Board on 27 August 2013. Under the Share Award Plan, the Share Award Plan Committee may, at any time and at its discretion, make an award to any eligible person ("Selected Person") and determine the number of Shares to be awarded to him on such terms and subject to such vesting conditions, if any, as the Share Award Plan Committee thinks fit. Since the Effective date and up to 31 December 2016, a total of 10,250,000 share awards had been granted under the Share Award Plan, representing approximately 1% of the Shares in issue as at 31 December 2016.

A summary of the Share Award Plan is set out below:

(a) Purpose

To recognise and reward contributions made by, and to encourage and incentivise sustained contribution of, the Selected Person to the growth and long term development of the Group.

(b) Duration

The Share Award Plan shall be valid and remain in force for a term of ten years commencing from the Effective Date.

(c) Maximum limit

In any given financial year, the maximum number of Shares to be purchased by the Trustee (as defined below) for the purpose of the Share Award Plan shall not exceed 5% of the total number of issued Shares as at the beginning of such financial year. The total number of Shares purchased for the award(s) made to each Selected Person in any 12-month period up to and including the date on which the award is made to a Selected Person (the "Award Date") shall not exceed 1% of the Shares in issue as at the Award Date.

(d) Operation

The Share Award Plan Committee (or any Director so authorised by the Share Award Plan Committee) may from time to time instruct SMP Trustees (Hong Kong) Limited (the "Trustee") to purchase Shares on the Stock Exchange at such prices as the Share Award Plan Committee (or any Director so authorised by the Share Award Plan Committee) considers appropriate subject to the terms and conditions of the Share Award Plan, and such Shares shall be held by the Trustee for the purposes of satisfying any future award(s) to be made by the Share Award Plan Committee.

On 30 April 2016, 3,620,000 Shares were vested.

Details of the awarded Shares awarded under the Share Award Plan and their movements during the year are set out below:

	Award date	Vesting period	Outstanding as at 1 January 2016	Awarded during Reporting Year	Lapsed/ forfeited during Reporting Year	Vested during Reporting Year	Outstanding as at 31 December 2016
Employee (in aggregate)	23/01/2015	23/01/2015–30/04/2016	3,620,000	–	–	(3,620,000)	–

Substantial Shareholders' and Other Persons' Interests and Short Positions in Shares and Underlying Shares

At 31 December 2016, the following interests of 5% or more of the issued share capital of the Company were recorded in the register of interests required to be kept by the Company pursuant to section 336 of Part XV of the SFO:

Name of substantial shareholder	Long/Short position	Type of interest	Number of Shares and underlying Shares held	Approximate percentage of shareholding in the Company
Chan Yuk Ming	Long position	Founder of a discretionary trust *(Note 1)*	483,934,814	51.00%
		Beneficial owner *(Note 2)*	1,736,000	0.18%
		Beneficial owner *(Note 3)*	4,000,000	0.42%
Chen Yunan	Long position	Beneficial of a trust *(Note 1)*	483,934,814	51.00%
		Beneficial owner *(Note 3)*	4,000,000	0.42%
Chen Minwen	Long position	Beneficial of a trust *(Note 1)*	483,934,814	51.00%
		Beneficial owner *(Note 3)*	4,000,000	0.42%
Chen Mianna	Long position	Beneficial owner *(Note 4)*	45,543,636	4.80%
		Beneficial owner *(Note 3)*	4,000,000	0.42%
Evisu	Long position	Trustee of a trust *(Note 1)*	483,934,814	51.00%
Pacific Success	Long position	Beneficial owner *(Note 1)*	483,934,814	51.00%
New Horizon Capital III, L.P. ("New Horizon")	Long position	Interest of a controlled corporation *(Note 5)*	123,096,677	12.97%
Admiralfly Holdings Limited ("Admiralfly")	Long position	Beneficial owner *(Note 5)*	123,096,677	12.97%

Notes:

1. The 483,934,814 Shares were held by Pacific Success, a company wholly-owned by Evisu. Evisu is the trustee of a discretionary trust of which Mr. Chan Yuk Ming was the founder and each of Mr. Chen Yunan and Mr. Chen Minwen was a beneficiary. Each of Mr. Chan Yuk Ming, Mr. Chen Yunan and Mr. Chen Minwen was deemed to be interested in such Shares held by Pacific Success under the SFO.

2. These 1,736,000 Shares were held directly by Mr. Chan Yuk Ming.

3. Each of Mr. Chan Yuk Ming, Mr. Chen Yunan, Mr. Chen Minwen and Ms. Chen Mianna was interested in 4,000,000 underlying Shares in respect of share options granted under the New Share Option Scheme.

4. These 45,543,636 Shares were held directly by Ms. Chen Mianna.

5. The entire issued share capital of Admiralfly was owned by New Horizon. New Horizon was deemed to be interested in 123,096,677 Shares which were beneficially owned by Admiralfly.

Save as disclosed above, as at 31 December 2016, the Company has not been notified by any person (other than the Directors of chief executives) who had interests or short positions in the Shares or underlying Shares of the Company which would have to be disclosed to the Company and the Stock Exchange under the provisions of Divisions 2 and 3 of Part XV of the SFO, or which were recorded in the register of interests required to be kept by the Company pursuant to Section 336 of the SFO.

Management contracts

No contracts concerning the management and administration of the whole or any substantial part of the business of the Company were entered into or existed during the Reporting Year.

Sufficiency of Public Float

Based on the information that is publicly available to the Company and within the knowledge of the Directors, at least 25% of the total issued share capital of the Company was held by the public as at the date of this annual report.

Directors' Interests in Competing Business

During the Reporting Year and up to the date of this annual report, none of the Directors had an interest in a business, which competes or may compete, either directly or indirectly, with the business of the Group.

Connected Transactions and Continuing Connected Transactions

During the Reporting Year, the Group had not entered into any connected transaction or continuing connected transaction which should be disclosed pursuant to the requirements of the Listing Rules.

Unlisted corporate bonds

On 31 March 2016, the Company entered into a placing agreement (details of which are set out in the announcement of the Company dated 31 March 2016) with Convoy Investment Services Limited as placing agent for the placing of unlisted bonds of the Company up to an aggregated principal amount of HK$200 million (approximately RMB166.9 million) for the purpose of satisfying the needs of the Group's continuous business development. During the Reporting Year, the Company issued unlisted corporate bonds with aggregate principal of HK$77,300,000 (equivalent to approximately RMB66,153,000) which will mature on the date immediately following 12 months to 96 months after the first issue date unless earlier redemption requested by the Company. The bonds bear coupon rate ranging from 4.00% to 6.75% per annum, payable semi-annually in arrears.

Subsequent Events

From 1 January 2017 to 30 March 2017, the Company issued unlisted corporate bonds in Hong Kong with an aggregate principal amount of HK$32,400,000 (equivalent to approximately RMB28,764,000) which will mature on the date immediately following 12 months to 96 months after the first issue date unless earlier redemption requested by the Company. The bonds bear coupon rate ranging from 4.50% to 6.75% per annum, payable semi-annually in arrears.

Related Party Transactions

Details of the related party transactions undertaken by the Group during the year ended 31 December 2016 are set out in note 36 to the financial statements. These related party transactions either did not constitute connected transactions or continuing connected transactions or constituted connected transactions or continuing connected transactions but were exempted from all disclosure and independent shareholders' approval requirements under the Listing Rules.

Permitted indemnity provisions

The Articles of Association of the Company provide that every Director shall be entitled to be indemnified out of the assets of the Company against all losses or liabilities incurred or sustained by him as a Director in defending any proceedings, whether civil or criminal, in which judgment is given in his favour, or in which he is acquitted.

A directors' liability insurance is in place to protect the Directors against potential costs and liabilities arising from claims brought against the Directors.

Auditors

Ernst & Young retire and a resolution for their re-appointment as auditors of the Company will be proposed at the forthcoming AGM.

On behalf of the Board
Chan Yuk Ming
Chairman

Hong Kong
30 March 2017

BIOGRAPHICAL DETAILS OF DIRECTORS AND SENIOR MANAGEMENT

Directors

As at the date of this report, the Board consists of six members, of whom three are independent non-executive Directors. The table below sets forth certain information of the Directors:

Name	Age	Position
Mr. CHAN Yuk Ming	48	Chairman and executive Director
Mr. CHEN Yunan	48	Executive Director
Mr. CHEN Minwen	41	Executive Director
Mr. FONG Wo, Felix	66	Independent non-executive Director
Mr. CHENG King Hoi, Andrew	58	Independent non-executive Director
Mr. NG Wing Fai	57	Independent non-executive Director

Executive Directors

Mr. CHAN Yuk Ming, aged 48, is the chairman and one of the executive Directors. He is the brother of Mr. Chen Yunan and Mr. Chen Minwen, who are also executive Directors of the Company, and Ms. Chen Mianna, a member of the senior management of the Company. He is also an uncle of Ms. Chen Yanxia, also a member of the senior management of the Company. Mr. Chan was designated as an executive Director and the chairman of the Board on 18 July 2008 and is also a director of Sunsonic Holdings Limited, Richwood Management Limited, Evergreen International Group Limited, Evergreen (Asia) Trading Company Limited ("Evergreen Asia"), Master (Hong Kong) Marketing Limited, Guangdong Evergreen Garment Co., Ltd. (長興（廣東）服飾有限公司, "Evergreen Guangdong"), Joy Business Investments Limited, Evergreen Brand Management Limited, Loyal City Holdings Limited and general manager of SARL VE Delure. He is primarily responsible for the Group's overall strategies, planning and business development. Mr. Chan graduated from City Polytechnic of Hong Kong (now known as City University of Hong Kong) with a Degree of Bachelor of Arts in Public and Social Administration in 1993. In 2013, Mr. Chan received a Master of Business Administration degree from the J.L. Kellogg School of Management, Northwestern University and the School of Business and Management, the Hong Kong University of Science and Technology. Mr. Chan acquired Evergreen Asia (which was formerly known as Hanbon (Hong Kong) Limited) in 1998 after he left his post of administration officer in Shun Hing Electronic Trading Co., Ltd. Mr. Chan will allocate substantially all of his time and resources to the Group's business.

Mr. CHEN Yunan, aged 48, is one of the executive Directors. He is the brother of Mr. Chan Yuk Ming and Mr. Chen Minwen, who are also executive Directors of the Company, and Ms. Chen Mianna, a member of the senior management of the Company. He is also an uncle of Ms. Chen Yanxia, also a member of the senior management of the Company. Mr. Chen was designated as an executive Director on 12 February 2010 and is also a director of each of Evergreen Guangdong, Guangzhou Changyue Trading Co., Ltd. (廣州市長越貿易有限公司, "Guangzhou Changyue") and Guangzhou Changzhuxing Trading Co. Ltd. (廣州市長珠興貿易有限公司, "Guangzhou ChangZhuxing"). He is primarily responsible for our general management and production planning. Mr. Chen involves in the business operations of Evergreen Guangdong of which he is currently the general manager. Mr. Chen will allocate substantially all of his time and resources to the Group's business.

Mr. CHEN Minwen, aged 41, is one of the executive Directors. He is the brother of Mr. Chan Yuk Ming and Mr. Chen Yunan, who are also executive Directors of the Company, and Ms. Chen Mianna, a member of the senior management of the Company. He is also an uncle of Ms. Chen Yanxia, also a member of the senior management of the Company. Mr. Chen was designated as an executive Director on 12 February 2010 and is also a director of Evergreen Guangdong, Guangzhou Changyue and Guangzhou Changzhuxing. He is primarily responsible for our sales and marketing promotion and public relations and activities. Mr. Chen will allocate substantially all of his time and resources to our business.

Independent Non-Executive Directors

Mr. FONG Wo, Felix, BBS, JP, aged 66, was appointed as an independent non-executive Director on 8 October 2010. Mr. Fong was the founding partner of Arculli Fong & Ng (now renamed as King & Wood Mallesons) and is a consultant of King & Wood Mallesons. Mr. Fong received his engineering degree in Canada in 1974 and his Juris Doctor degree from Osgoode Hall Law School in Toronto in 1978.

Mr. Fong is a member of the law societies of Hong Kong and England, and is a honorary legal counsels of a number of non- profit organisations in Hong Kong such as The Chinese Manufacturers' Association of Hong Kong.

Mr. Fong is currently one of the China-appointed Attesting Officers in Hong Kong appointed by the Ministry of Justice of China. Mr. Fong undertook a number of community and social roles, such as the former Chairman of the Chinese Canadian Association of Hong Kong, the former Chairman of the Advisory Council on Food and Environmental Hygiene. He is also a director of the Hong Kong Basic Law Institute Limited, and China Overseas Friendship Association. From 5 July 2013 to 31 March 2017, he is a member of Hong Kong Communications Authority. In the area of education, Mr. Fong is a founding member and the first governor of the Canadian International School of Hong Kong, and an advisor to the Faculty of Business of University of Victoria in Canada.

Currently, Mr. Fong is an independent non-executive director of a number of listed companies, namely Guangdong Land Holdings Limited (stock code: 124), Greenland Hong Kong Holdings Limited (stock code: 337), China Investment Development Limited (stock code: 204) and Sheen Tai Holdings Group Company Limited (stock code: 1335) and Xinming China Holdings Limited (stock code: 2699), whose stocks are listed on the Stock Exchange. From May 2010 to May 2016, Mr. Fong was an independent non-executive director of China Oilfield Services Limited, whose shares are listed on the Stock Exchange (stock code: 2883) and the Shanghai Stock Exchange (stock code: 601808), respectively.

Mr. Fong is a Justice of Peace and was awarded a Bronze Bauhinia Star by the Government of Hong Kong in recognition of his public service.

Mr. CHENG King Hoi, Andrew, aged 58, was appointed as an independent non-executive Director on 27 June 2012. He is the director of China Business of Kwoon Chung Bus Holdings Limited (stock code: 306), a company listed on the Main Board of the Stock Exchange after he resigned as its executive director in 2012. He is also the co-president of Overseas Teo Chew Entrepreneurs Association Limited and the committee member of Cantonese Opera Development Fund Advisory Committee. He is a member of the Australian Institute of Management NSW Ltd. and a committee member of the Chinese People's Political Consultative Conference of Sichuan Province of Mainland China. He had worked in the banking industry for over 9 years. In 2013, Mr. Cheng received a Honorary Doctoral Degree of Business Administration from the Northern University, California, the United States of America.

Mr. NG Wing Fai, aged 57, was appointed as an independent non-executive Director on 7 June 2016. He has over 16 years of experience in audit, taxation and consultancy in government and non-government institutes. Mr. Ng holds a bachelor's of arts degree in accountancy and a master's degree of arts in international accounting from City University of Hong Kong. He also holds a bachelor's degree with Honour in UK and Hong Kong law from The Manchester Metropolitan University. He is a fellow member of the Hong Kong Institute of Certified Public Accountants, a fellow member of the Institute of Chartered Accountants in England and Wales, a past president of the Society of Chinese Accountants & Auditors (2011), and a member of the Hong Kong Securities Institute. Mr. Ng is an independent non-executive director of China Automation Group Limited (stock code: 569) since June 2007, a company listed on the main board of the Stock Exchange.

Senior Management

Ms. CHEN Mianna, aged 46, is the purchasing director of the Group. She joined the Group in 2004 and was responsible for the Group's purchasing and ordering affairs. She was then promoted to the purchasing director of the Group in January 2012 and is also a director of Evergreen Guangdong, Guangzhou Changyue and Guangzhou Changzhuxing. She is the sister of Mr. Chan Yuk Ming, Mr. Chen Yunan and Mr. Chen Minwen. She is the auntie of Ms. Chen Yanxia.

Mr. HUNG Hing Hung, aged 35, is the chief financial officer and company secretary of the Group. He joined the Group in January 2017 and is responsible for the Company's financial reporting, financial management, investor relations and corporate secretarial functions. Mr. Hung has over 10 years of experience in the field of auditing, accounting and finance. Prior to joining the Company, Mr. Hung held senior positions in different organisations, including in an international accounting firm and two companies listed on the Stock Exchange. Mr. Hung graduated from The Chinese University of Hong Kong and obtained a bachelor's degree in Business Administration (Professional Accountancy) in 2006. He is a fellow member of The Hong Kong Institute of Certified Public Accountant.

Ms. YIN Yar Fen, aged 51, is the general manager of the kids division of the Group. She joined the Group in April 2015. Before joining the Group, she worked as general manager/senior management position in various sizeable Hong Kong and PRC retail and trading companies, distributing a variety of well-known European and local brands in the PRC and Hong Kong. Ms. Yin has been engaged in the fashion, retail and distribution industry for over 20 years.

Mr. QIU Hongjie, aged 48, is the financial controller (PRC). He joined the Group in September 2014. Mr. Qiu studied Professional Accounting at the Guangzhou University in 1990 and obtained an associate degree from the China Central Radio and TV University in 2009, and subsequently obtained a master's degree in Business Administration awarded by the University of Wales in 2010. He has over 22 years of experience in the field of financial management, supply chain management, logistics management as well as investment and financing management. He worked in 龍浩天地股份有限公司 before joining the Group.

Mr. YANG Qing, aged 47, is the deputy director of the finance department in the PRC. Mr. Yang joined the Group in April 2000 and was promoted to the position of deputy director of finance department in December 2010. He graduated from the College of Trade and Finance in Anhui after passing the relevant professional examinations in accounting in 1996 and was awarded a professional qualification in accounting by the Ministry of Finance of the PRC in 2004. He has over 24 years of experience in the field of accounting and finance with experience in handling finance, accounting and taxation matters and in operating the finance-related software products and computerised systems.

Ms. CHEN Yanxia, aged 36, is the operations director. She joined the Group in May 2000 and was the assistant to our general manager since 2006 and was then promoted to the position of deputy director of V.E. DELURE in February 2012 and was promoted to the operations director of TESTANTIN in June 2013 to manage the retail stores and distributors of TESTANTIN. Ms. Chen was assigned to manage the self-operated stores of V.E. DELURE and TESTANTIN self-operated stores and the commodity department in March 2016. She has over 14 years of experience in sales and store management. She is the daughter of a cousin of Mr. Chan Yuk Ming, Mr. Chen Yunan, Mr. Chen Minwen and Ms. Chen Mianna.

Mr. LIN Youhai, aged 45, is the deputy director of franchise department of the Group's brand V.E. DELURE. Mr. Lin joined the Group in May 2007 as the assistant to director and was transferred to the position of manager of franchise department for V.E. DELURE in March 2010 and promoted to the position of deputy director of franchise department for V.E. DELURE in February 2012. Mr. Lin graduated from the Guangzhou Workers University in 2000. He has over 17 years of experience in sales and operation management and market network development. Prior to joining the Group, he had worked in the sales department of various companies such as Guangzhou Klundear Clothing Co., Ltd., A. Jesdani Clothing (Guangzhou) Co., Ltd. and Guangzhou Mendum Garment Co., Ltd.

Ms. ZHANG Qiaoling, aged 42, is the senior manager of the audit department. Ms. Zhang joined the Group in March 2001 as the head of the development department and was formally transferred to the purchasing department and promoted to the position of purchasing manager in 2007. She was then transferred to the audit department and promoted to the position of senior manager of audit department in November 2011. Ms. Zhang graduated with fashion design qualifications from Jiangxi Garments Institute in 1997. She has over 8 years of experience in clothing design including the process of clothing production and management. She also has over 3 years of experience in the processing and manufacturing of clothing and garment as well as the purchasing of complementary materials, and was familiar with the workflow and processes of clothing manufacturing and purchasing.

Mr. LIU Shaoqing, aged 42, is the deputy director of the design department of the Group's brand V.E. DELURE. Mr. Liu joined the Group in February 2004 as a designer and was promoted to chief designer in 2006. He was further promoted to deputy director of the design department of V.E. DELURE in March 2011 and was primarily responsible for the research and development of product design for V.E. DELURE. He graduated with qualifications in fashion design in 2000, and has been engaging in the fashion industry for over 12 years. He has over 12 years of experience in the processes of design, pattern-making, garment production and has related working experience.

INDEPENDENT AUDITOR'S REPORT

EY 安永

Ernst & Young
22/F, CITIC Tower
1 Tim Mei Avenue
Central, Hong Kong

安永會計師事務所
香港中環
添美道1號
中信大廈22樓

Tel 電話: +852 2846 9888
Fax 傳真:+852 2868 4432
ey.com

To the shareholders of Evergreen International Holdings Limited
(Incorporated in the Cayman Islands with limited liability)

Opinion

We have audited the consolidated financial statements of Evergreen International Holdings Limited (the "Company") and its subsidiaries (the "Group") set out on pages 63 to 123, which comprise the consolidated statement of financial position as at 31 December 2016, and the consolidated statement of profit or loss, the consolidated statement of comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows for the year then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies.

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

Basis 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 judgement, were of most significance in our audit of the consolidated financial statements of the current period. These matters were addressed in the context of our audit of the consolidated financial statements as a whole and in forming our opinion thereon, and we do not provide a separate opinion on these matters. For each matter below, our description of how our audit addressed the matter is provided in that context.

We have fulfilled the responsibilities described in the *Auditor's responsibilities* for the audit of the consolidated financial statements section of our report, including in relation to these matters. Accordingly, our audit included the performance of procedures designed to respond to our assessment of the risks of material misstatement of the consolidated financial statements. The results of our audit procedures, including the procedures performed to address the matters below, provide the basis for our audit opinion on the accompanying consolidated financial statements.

Key audit matter	How our audit addressed the key audit matter
Inventory provision	
The Group was exposed to significant inventory obsolete and slow-moving risks. The determination of provision is accordingly complicated because it would depend on the future net recoverable amounts. The determination of the future recoverable amounts involve significant management's judgements and estimates of the market conditions, future inventory sales plans and so on. Relevant disclosures are included in notes 3 and 20 to the financial statements.	The audit procedures we performed on inventory provision, among others, included: • Observed the physical inspection of inventories and evaluated how management identified obsolete inventories; • Evaluated management methodology on inventory provision; • Examined the mathematical accuracy of management's assessment; • Discussed future business plan with management in respect of the industry and economic trends, product portfolio and sales channel; • Tested the provision by comparing the cost of the inventories to the selling price from historical sales information, subsequent sales; • Considered past and subsequent sales records and sales rates of different age groups and different product brands inventories for slow-moving or obsolete inventories; and • Compared the gross margin, ageing and turnover days with the similar companies in the industry.

Key audit matter	How our audit addressed the key audit matter
Deferred tax assets	
Majority of the Group's deferred tax assets which were related to stock provision carried forward by the group entity were recognised. The eligibility to recognise these assets would base on the key management assumptions that future taxable income would arise in order to utilise these temporary differences. The process of estimating the future available taxable profits in determination of the realisability of deferred tax assets and the need for a partial or full impairment was complex, and involved estimates and judgements that were affected by future actual operations, tax regulations, and market or economic conditions in Mainland China. Relevant disclosures are included in notes 3 and 28 to the financial statements.	The audit procedures we performed on the recoverability of deferred tax assets, among others, included: • Evaluated management's expectations about future taxable income and considered the key aspects of the expectations, including the business plans, profit forecasts and revenue growth rates; • Compared management's estimates with the actual results of prior periods and the current period to date as well as current industry and economic trends, changes in the entity's business model, customer base; • Examined the mathematical accuracy of management's calculation of the future taxable income; and • Evaluated the appropriateness of the relevant disclosures of deferred tax assets and unrecognised temporary differences.

Key audit matter	How our audit addressed the key audit matter
Property plant and equipment-leasehold improvement impairment	
The Group had leasehold improvements of the self-operated stores amounted to RMB25,130,000 as at 31 December 2016 which were subject to impairment testing in the event of trading performance being below expectations. The recoverable amount was determined based on a value-in-use calculation using cash flow projection. The assumptions used by the Group, in particular those assumptions relating to budgeted growth margin and the discounted rates, had the most significant effect on the determination of the recoverable amount of leasehold improvements. Given the sensitivity of the assumptions and the level of judgements involved, we considered this a key audit matter during our audit. Relevant disclosures are included in notes 3 and 13 to the financial statements.	The audit procedures we performed on the leasehold improvement impairment, among others, included: • Tested the basis of preparation of the forecast taking into account the accuracy of previous forecasts by comparing the key growth assumptions used in the model with the historical growth rates and the current trading performance of each stores; • Inquired with management to evaluate the reasonableness of the forecast, including the current industry and economic trend and business plan for each stores, taking into account the maturity of each store and the market in which it is located; • Evaluated the assumptions used by the Group and involved our valuation specialist to assist us to review the discounted rates; • Examined the mathematical accuracy of management's model; and • Tested management's assessment on whether any reasonably possible change in these key assumptions would result in an impairment.

Other information included in the Annual Report

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

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

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

Responsibilities of the directors for the consolidated financial statements

The directors of the Company 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 of the Company 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 of the Company either intend to liquidate the Group or to cease operations or have no realistic alternative but to do so.

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

Auditor's responsibilities for the audit of the consolidated financial statements

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

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

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

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

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

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

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

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

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

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

We also provide the Audit Committee with a statement that we have complied with relevant ethical requirements regarding independence and 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 this independent auditor's report is Hui Kin Fai, Stephen.

Ernst & Young
Certified Public Accountants

Hong Kong

30 March 2017

CONSOLIDATED STATEMENT OF PROFIT OR LOSS

Year ended 31 December 2016

	Notes	2016 RMB'000	2015 RMB'000
REVENUE	5	**421,839**	451,565
Cost of sales		**(183,135)**	(152,131)
Gross profit		**238,704**	299,434
Other income and gains	5	**35,477**	17,230
Selling and distribution expenses		**(256,102)**	(274,864)
Administrative expenses		**(64,596)**	(72,612)
Other expenses		**(18,447)**	(30,920)
Finance costs	7	**(14,668)**	(16,811)
LOSS BEFORE TAX	6	**(79,632)**	(78,543)
Income tax (expense)/credit	10	**(777)**	2,968
LOSS ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE COMPANY		**(80,409)**	(75,575)
LOSS PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE COMPANY			
Basic and diluted	12	**RMB(8.5) cents**	RMB(8.0) cents

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

Year ended 31 December 2016

	2016 RMB'000	2015 RMB'000
LOSS ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE COMPANY	**(80,409)**	(75,575)
OTHER COMPREHENSIVE LOSS TO BE RECLASSIFIED TO PROFIT OR LOSS IN SUBSEQUENT PERIODS:		
Exchange differences on translation of operations outside Mainland China	**(22,575)**	(14,007)
OTHER COMPREHENSIVE LOSS FOR THE YEAR	**(22,575)**	(14,007)
TOTAL COMPREHENSIVE LOSS FOR THE YEAR	**(102,984)**	(89,582)

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

31 December 2016

	Notes	2016 RMB'000	2015 RMB'000
NON-CURRENT ASSETS			
Property, plant and equipment	13	**379,481**	398,385
Prepaid land lease payment	14	**46,086**	–
Goodwill	15	**1,880**	1,880
Other intangible asset	16	**4,115**	3,855
Long term lease prepayment	17	**64,178**	65,760
Available-for-sale investment	19	**36,800**	–
Deferred tax assets	28	**18,157**	17,945
Prepayment for non-current assets	22	**–**	51,100
Total non-current assets		**550,697**	538,925
CURRENT ASSETS			
Inventories	20	**191,303**	263,683
Trade receivables	21	**86,888**	84,900
Prepayments, deposits and other receivables	22	**57,494**	60,364
Time deposits	23	**500,000**	–
Pledged deposits	23	**21,920**	145,572
Cash and cash equivalents	23	**120,252**	548,875
Total current assets		**977,857**	1,103,394
CURRENT LIABILITIES			
Trade payables	24	**12,968**	17,576
Other payables and accruals	25	**35,549**	40,425
Interest-bearing bank and other borrowings	26	**295,863**	349,767
Tax payable		**568**	1,397
Total current liabilities		**344,948**	409,165
NET CURRENT ASSETS		**632,909**	694,229
TOTAL ASSETS LESS CURRENT LIABILITIES		**1,183,606**	1,233,154
NON CURRENT LIABILITIES			
Interest-bearing bank and other borrowings	26	**50,910**	–
Total non-current liabilities		**50,910**	–
Net assets		**1,132,696**	1,233,154
EQUITY			
Equity attributable to ordinary equity holders of the Company			
Issued capital	29	**829**	829
Reserves	32	**1,131,867**	1,232,325
Total equity		**1,132,696**	1,233,154

CHAN Yuk Ming
Director

CHEN Yunan
Director

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

Year ended 31 December 2016

		Attributable to ordinary equity holders of the Company											
	Notes	Issued capital RMB'000 (note 29)	Share premium account RMB'000 (note 40)	Shares held for the Share Award Plan RMB'000 (note 31)	Acquisition reserve RMB'000 (note 32(iii))	Merger reserve RMB'000 (note 32(i))	Statutory surplus reserve RMB'000 (note 32(ii))	Capital redemption reserve RMB'000 (note 32(iv))	Exchange fluctuation reserve RMB'000	Share option reserve RMB'000 (note 30)	Share award reserve RMB'000 (note 31)	Retained profits RMB'000	Total RMB'000
At 1 January 2015		829	671,612	(7,892)	2,639	1,072	78,555	28	(23,534)	–	–	592,718	1,316,027
Loss for the year		–	–	–	–	–	–	–	–	–	–	(75,575)	(75,575)
Other comprehensive loss for the year:													
Exchange differences on translation of operations outside Mainland China		–	–	–	–	–	–	–	(14,007)	–	–	–	(14,007)
Total comprehensive loss for the year		–	–	–	–	–	–	–	(14,007)	–	–	(75,575)	(89,582)
Equity-settled share option scheme	30	–	–	–	–	–	–	–	–	2,705	–	–	2,705
Equity-settled Share Award Plan	31	–	–	4,729	–	–	–	–	–	–	(725)	–	4,004
At 31 December 2015		829	671,612 *	(3,163)*	2,639*	1,072*	78,555*	28*	(37,541)*	2,705*	(725)*	517,143*	1,233,154

		Attributable to ordinary equity holders of the Company											
	Notes	**Issued capital RMB'000 (note 29)**	**Share premium account RMB'000 (note 40)**	**Shares held for the Share Award Plan RMB'000 (note 31)**	**Acquisition reserve RMB'000 (note 32(iii))**	**Merger reserve RMB'000 (note 32(i))**	**Statutory surplus reserve RMB'000 (note 32(ii))**	**Capital redemption reserve RMB'000 (note 32(iv))**	**Exchange fluctuation reserve RMB'000**	**Share option reserve RMB'000 (note 30)**	**Share award reserve RMB'000 (note 31)**	**Retained profits RMB'000**	**Total RMB'000**
At 1 January 2016		829	671,612	(3,163)	2,639	1,072	78,555	28	(37,541)	2,705	(725)	517,143	1,233,154
Loss for the year		–	–	–	–	–	–	–	–	–	–	(80,409)	(80,409)
Other comprehensive loss for the year:													
Exchange differences on translation of operations outside Mainland China		–	–	–	–	–	–	–	(22,575)	–	–	–	(22,575)
Total comprehensive loss for the year		–	–	–	–	–	–	–	(22,575)	–	–	(80,409)	(102,984)
Share purchase for the Share Award Plan		–	–	(413)	–	–	–	–	–	–	–	–	(413)
Equity-settled share option scheme	30	–	–	–	–	–	–	–	–	1,761	–	–	1,761
Equity-settled Share Award Plan	31	–	–	3,550	–	–	–	–	–	–	(2,372)	–	1,178
Transfer from retained profits		–	–	–	–	–	824	–	–	–	–	(824)	–
At 31 December 2016		829	671,612*	(26)*	2,639*	1,072*	79,379 *	28*	(60,116)*	4,466*	(3,097)*	435,910*	1,132,696

* These reserve accounts comprise the consolidated reserves of RMB1,131,867,000 (2015: RMB1,232,325,000) in the consolidated statement of financial position.

CONSOLIDATED STATEMENT OF CASH FLOWS

Year ended 31 December 2016

	Notes	**2016 RMB'000**	2015 RMB'000
CASH FLOWS FROM OPERATING ACTIVITIES			
Loss before tax		**(79,632)**	(78,543)
Adjustments for:			
Finance costs	*7*	**14,668**	16,811
Foreign exchange gain		**(20,679)**	(3,680)
Bank interest income	*5*	**(14,333)**	(11,206)
(Gain)/losses on disposal of items of property, plant and equipment	*6*	**(36)**	193
Depreciation	*6*	**32,326**	29,213
Impairment of investment in an associate	*6*	**7,300**	–
Impairment of leasehold improvement	*6*	**3,931**	–
Impairment of trade receivables	*6*	**1,307**	–
Write-down of inventories	*6*	**5,496**	30,431
Amortisation of long term lease prepayment	*6*	**1,582**	1,532
Recognition of prepaid land lease payment	*6*	**641**	–
Equity-settled share option expense	*30*	**1,761**	2,705
Equity-settled share award expense	*31*	**1,178**	4,004
		(44,490)	(8,540)
Decrease in inventories		**70,895**	15,358
(Increase)/decrease in trade receivables		**(3,054)**	7,326
Decrease in prepayments, deposits and other receivables		**8,233**	10,319
Decrease in trade payables		**(4,593)**	(4,128)
Decrease in other payables and accruals		**(4,843)**	(34)
Cash generated from operations		**22,148**	20,301
Interest received		**11,071**	7,354
Mainland China corporate income tax paid		**(1,818)**	(15,971)
Net cash flows from operating activities		**31,401**	11,684

	Notes	2016 RMB'000	2015 RMB'000
Net cash flows from operating activities		**31,401**	11,684
CASH FLOWS FROM INVESTING ACTIVITIES			
Purchases of items of property, plant and equipment		**(17,336)**	(43,107)
Proceeds from disposal of items of property, plant and equipment		**44**	226
Purchase of an available-for-sale investment	19	**(36,800)**	–
Addition to an investment in an associate		**(2,500)**	–
Addition to prepaid land lease payment		**(1,397)**	–
Prepayment for a land parcel		**–**	(46,300)
Prepayment for an equity investment		**–**	(4,800)
(Increase)/decrease in time deposits and pledged deposits		**(376,348)**	86,778
Net cash flows used in investing activities		**(434,337)**	(7,203)
CASH FLOWS FROM FINANCING ACTIVITIES			
New bank loans		**399,594**	433,650
Repayment of bank loans		**(466,894)**	(567,156)
Proceed from issue of corporate bonds		**66,153**	–
Payment for the transaction costs of corporate bonds		**(11,923)**	–
Purchases of shares held under the Share Award Plan		**(413)**	–
Interest paid		**(13,165)**	(16,424)
Net cash flows used in financing activities		**(26,648)**	(149,930)
NET DECREASE IN CASH AND CASH EQUIVALENTS		**(429,584)**	(145,449)
Cash and cash equivalents at beginning of year		**548,875**	695,591
Effect of foreign exchange rate changes, net		**961**	(1,267)
CASH AND CASH EQUIVALENTS AT END OF YEAR		**120,252**	548,875
ANALYSIS OF BALANCES OF CASH AND CASH EQUIVALENTS			
Cash and bank balances	23	**120,252**	548,875
Cash and cash equivalents as stated in the consolidated statement of financial position and consolidated statement of cash flows		**120,252**	548,875

1. Corporate and Group Information

The Company was incorporated in the Cayman Islands on 26 June 2008 as an exempted company with limited liability under the Companies Law, Cap. 22 of the Cayman Islands. The registered office address of the Company is Clifton House, 75 Fort Street, P.O. Box 1350, Grand Cayman KY1-1108, Cayman Islands. The principal activity of the Company is investment holding.

During the year, the Group was principally engaged in the manufacturing and trading of clothing and clothing accessories in the People's Republic of China (the "PRC").

In the opinion of the directors of the Company ("the Directors"), the holding company and the ultimate holding company of the Company is Pacific Success Holdings Limited ("Pacific Success"), which was incorporated in the British Virgin Islands (the "BVI").

Information about subsidiaries

Particulars of the Company's subsidiaries are as follows:

Name	Place of incorporation/ registration and business	Issued ordinary/ registered share capital	Percentage of equity attributable to the Company Direct %	Indirect %	Principal activities
Sunsonic Holdings Limited	BVI/ Hong Kong	US$1/US$50,000	100	–	Investment holding
Richwood Management Limited	BVI/ Hong Kong	US$1/US$50,000	–	100	Holding of trademarks and investment holding
Evergreen International Group Limited (長興集團(國際)有限公司)	Hong Kong	HK$1,000,000/ HK$1,000,000	–	100	Investment holding and trading of garment products
Evergreen (Asia) Trading Company Limited (長興(亞洲)貿易有限公司)	Hong Kong	HK$10,000/ HK$10,000	–	100	Trading of garment products and accessories
Master (Hong Kong) Marketing Limited (萬事達(香港)市場策劃有限公司)	Hong Kong	HK$2/HK$10,000	–	100	Retailing and trading of garment products
Guangdong Evergreen Garment Co., Ltd. (長興(廣東)服飾有限公司)*#	PRC/ Mainland China	HK$900,000,000/ HK$900,000,000	–	100	Manufacturing and sale of clothing and clothing accessories

1. Corporate and Group Information *(continued)*

Information about subsidiaries *(continued)*

Particulars of the Company's subsidiaries are as follows: *(continued)*

Name	Place of incorporation/ registration and business	Issued ordinary/ registered share capital	Percentage of equity attributable to the Company Direct %	Indirect %	Principal activities
Guangzhou Changyue Trading Co., Ltd. (廣州市長越貿易有限公司) *#	PRC/ Mainland China	RMB30,000,000/ RMB30,000,000	–	100	Sale of clothing and clothing accessories
Guangzhou Changzhuxing Co., Ltd. (廣州市長珠興貿易有限公司) *#	PRC/ Mainland China	RMB20,000,000/ RMB20,000,000	–	100	Sale of clothing and clothing accessories
SARL VE Delure*	France/ Hong Kong	EUR8,000/ EUR8,000	–	100	Holding of trademarks
Asia Effort Limited* (振亞一人有限公司)	Macau	MOP25,000/ MOP25,000	–	100	Retailing and trading of garment products
Joy Business Investments Limited	BVI/ Hong Kong	US$1/US$50,000	–	100	Investment holding
Best Ascent Limited (必陞有限公司)	Hong Kong	HK$500,000/ HK$500,000	–	100	Retailing and trading of garment products
Glorious Wave Limited (滔榮有限公司)	Hong Kong	HK$1/HK$1	–	100	Retailing and trading of garment products
Loyal City Holdings Limited	BVI/ Hong Kong	HK$1/HK$1	–	100	Investment holding
Orient Well Holdings Limited	BVI/ Hong Kong	HK$1/HK$1	–	100	Investment holding
Evergreen International Brands Holding Limited	BVI/ Hong Kong	HK$1/HK$1	–	100	Investment holding
Sincere Star Limited (星信有限公司)	Hong Kong	HK$1/HK$1	–	100	Retailing and trading of garment products
Joyful Art Limited (雅怡有限公司)	Hong Kong	HK$1/HK$1	–	100	Retailing and trading of garment products

1. Corporate and Group Information *(continued)*

Information about subsidiaries *(continued)*

Particulars of the Company's subsidiaries are as follows: *(continued)*

Name	Place of incorporation/ registration and business	Issued ordinary/ registered share capital	Percentage of equity attributable to the Company Direct %	Indirect %	Principal activities
Evergreen Brand Management Limited (長興品牌管理有限公司)	Hong Kong	HK$300,000/ HK$300,000	–	100	Management of children's wear brands
Leader Power Development Limited (龍柏發展有限公司)	Hong Kong	HK$1/HK$1	–	100	Retailing and trading of garment products
Ascent Development Limited (天陞發展有限公司)	Hong Kong	HK$1/HK$1	–	100	Retailing and trading of garment products
Ocean Sense Limited (洋智有限公司)	Hong Kong	HK$1/HK$1	–	100	Retailing and trading of garment products
Profit Goal Development Limited (盈智發展有限公司)	Hong Kong	HK$1/HK$1	–	100	Retailing and trading of garment products
Bloom Union Limited (新群有限公司)	Hong Kong	HK$1/HK$1	–	100	Retailing and trading of garment products
King Top Investments Limited (啟天投資有限公司)	Hong Kong	HK$1/HK$1	–	100	Retailing and trading of garment products
Evergreen Brand Management (Macau) Limited* (長興品牌管理(澳門)有限公司)	Macau	MOP25,000/ MOP25,000	–	100	Retailing and trading of garment products

* The statutory financial statements of these entities are not audited by Ernst & Young, Hong Kong or another member firm of the Ernst & Young global network

All these companies are wholly-foreign-owned enterprises under the laws of the PRC. The English names of the Company's subsidiaries registered in Mainland China represent the translated names of these companies as no English names have been registered.

2.1 Basis of Preparation

These consolidated financial statements have been prepared in accordance with International Financial Reporting Standards ("IFRSs") issued by the International Accounting Standards Board (the "IASB"), and the disclosure requirements of the Hong Kong Companies Ordinance.

These consolidated financial statements have been prepared under the historical cost convention, except for certain equity investment which has been measured at fair value. These consolidated financial statements are presented in Renminbi ("RMB") and all values are rounded to the nearest thousand ("RMB'000"), except when otherwise indicated.

Basis of consolidation

These consolidated financial statements include the financial statements of the Company and its subsidiaries (collectively referred to as the "Group") for the year ended 31 December 2016. A subsidiary is an entity (including a structured entity), directly or indirectly, controlled by the Company. Control is achieved when the Group is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee (i.e., existing rights that give the Group the current ability to direct the relevant activities of the investee).

When the Company has, directly or indirectly, less than a majority of the voting or similar rights of an investee, the Group considers all relevant facts and circumstances in assessing whether it has power over an investee, including:

(a) the contractual arrangement with the other vote holders of the investee;

(b) rights arising from other contractual arrangements; and

(c) the Group's voting rights and potential voting rights.

The financial statements of the subsidiaries are prepared for the same reporting period as the Company, using consistent accounting policies. The results of subsidiaries are consolidated from the date on which the Group obtains control, and continue to be consolidated until the date that such control ceases.

Profit or loss and each component of other comprehensive income are attributed to the ordinary equity holders of the parent of the Group and to the non-controlling interests, even if this results in the non-controlling interests having a deficit balance. All intra-group assets and liabilities, equity, income, expenses and cash flows relating to transactions between members of the Group are eliminated in full on consolidation.

The Group reassesses whether or not it controls an investee if facts and circumstances indicate that there are changes to one or more of the three elements of control described in the accounting policy above. A change in the ownership interest of a subsidiary, without a loss of control, is accounted for as an equity transaction.

If the Group loses control over a subsidiary, it derecognises (i) the assets (including goodwill) and liabilities of the subsidiary, (ii) the carrying amount of any non-controlling interest and (iii) the cumulative translation differences recorded in equity; and recognises (i) the fair value of the consideration received, (ii) the fair value of any investment retained and (iii) any resulting surplus or deficit in profit or loss. The Group's share of components previously recognised in other comprehensive income is reclassified to profit or loss or retained profits, as appropriate, on the same basis as would be required if the Group had directly disposed of the related assets or liabilities.

2.2 Changes in Accounting Policies and Disclosures

The Group has adopted the following new and revised IFRSs for the first time for the current year's financial statements.

Amendments to IFRS 10, IFRS 12 and IAS 28	*Investment Entities: Applying the Consolidation Exception*
Amendments to IFRS 11 IFRS 14	*Accounting for Acquisitions of Interests in Joint Operations Regulatory Deferral Accounts*
Amendments to IAS 1	*Disclosure Initiative*
Amendments to IAS 16 and IAS 38	*Clarification of Acceptable Methods of Depreciation and Amortisation*
Amendments to IAS 16 and IAS 41	*Agriculture: Bearer Plants*
Amendments to IAS 27	*Equity Method in Separate Financial Statements*
Annual Improvements 2012-2014 Cycle	*Amendments to a number of IFRSs*

The adoption of the above new and revised standards has had no significant financial effect on these financial statements.

2.3 Issued but not yet Effective International Financial Reporting Standards

The Group has not applied the following new and revised IFRSs, that have been issued but are not yet effective, in these financial statements.

Amendments to IFRS 2	*Classification and Measurement of Share-based Payment Transactions*[2]
Amendments to IFRS 4	*Applying IFRS 9 Financial Instruments with IFRS 4 Insurance Contracts*[2]
IFRS 9	*Financial Instruments*[2]
Amendments to IFRS 10 and IAS 28	*Sale or Contribution of Assets between an Investor and its Associate or Joint Venture*[4]
IFRS 15	*Revenue from Contracts with Customers*[2]
Amendments to IFRS 15	*Clarifications to IFRS 15 Revenue from Contracts with Customers*[2]
IFRS 16	*Leases*[3]
Amendments to IAS 7	*Disclosure Initiative*[1]
Amendments to IAS 12	*Recognition of Deferred Tax Assets for Unrealised Losses*[1]
Amendments to IAS 40	*Transfers of Investment Property*[2]
IFRIC 22	*Foreign Currency Transactions and Advance Consideration*[2]
Amendments to IFRS 12 included in *Annual Improvements 2014–2016 Cycle*	*Disclosure of Interests in Other Entities*[1]
Amendments to IFRS 1 included in *Annual Improvements 2014–2016 Cycle*	*First-time Adoption of International Financial Reporting Standards*[2]
Amendments to IFRS 28 included in *Annual Improvements 2014–2016 Cycle*	*Investments in Associates and Joint Ventures*[2]

1 Effective for annual periods beginning on or after 1 January 2017
2 Effective for annual periods beginning on or after 1 January 2018
3 Effective for annual periods beginning on or after 1 January 2019
4 No mandatory effective date yet determined but available for adoption

2.3 Issued but not yet Effective International Financial Reporting Standards *(continued)*

The Group is in the process of making an assessment of the impact of these new and revised IFRSs upon initial application. So far, except IFRS 15 *Revenue from Contracts with Customers* and IFRS 16 *Leases* the Group considers that these new and revised IFRSs may result in changes in accounting policies but are unlikely to have a significant impact on the Group's results of operations and financial position.

IFRS 15 establishes a new five-step model to account for revenue arising from contracts with customers. Under IFRS 15, revenue is recognised at an amount that reflects the consideration to which an entity expects to be entitled in exchange for transferring goods or services to a customer. The principles in IFRS 15 provide a more structured approach for measuring and recognising revenue. The standard also introduces extensive qualitative and quantitative disclosure requirements, including disaggregation of total revenue, information about performance obligations, changes in contract asset and liability account balances between periods and key judgements and estimates. The standard will supersede all current revenue recognition requirements under IFRSs. In April 2016, the IASB issued amendments to IFRS 15 to address the implementation issues on identifying performance obligations, application guidance on principal versus agent and licences of intellectual property, and transition. The amendments are also intended to help ensure a more consistent application when entities adopt IFRS 15 and decrease the cost and complexity of applying the standard. The Group expects to adopt IFRS 15 on 1 January 2018, and is in the process of making an assessment on the impact of the adoption of IFRS 15.

IFRS 16 replaces IAS 17 *Leases, IFRIC 4 Determining whether an Arrangement contains a Lease, SIC-15 Operating Leases — Incentives and SIC-27 Evaluating the Substance of Transactions Involving the Legal Form of a Lease.* The standard sets out the principles for the recognition, measurement, presentation and disclosure of leases and requires lessees to recognise assets and liabilities for most leases. The standard includes two recognition exemptions for lessees — leases of low-value assets and short-term leases. At the commencement date of a lease, a lessee will recognise a liability to make lease payments (i.e., the lease liability) and an asset representing the right to use the underlying asset during the lease term (i.e., the right-of-use asset). The right-of-use asset is subsequently measured at cost less accumulated depreciation and any impairment losses unless the right-of-use asset meets the definition of investment property in IAS 40. The lease liability is subsequently increased to reflect the interest on the lease liability and reduced for the lease payments. Lessees will be required to separately recognise the interest expense on the lease liability and the depreciation expense on the right-of-use asset. Lessees will also be required to remeasure the lease liability upon the occurrence of certain events, such as change in the lease term and change in future lease payments resulting from a change in an index or rate used to determine those payments. Lessees will generally recognise the amount of the remeasurement of the lease liability as an adjustment to the right-of-use asset. Lessor accounting under IFRS 16 is substantially unchanged from the accounting under IAS 17. Lessors will continue to classify all leases using the same classification principle as in IAS 17 and distinguish between operating leases and finance leases. The Group expects to adopt IFRS 16 on 1 January 2019 and is currently assessing the impact of IFRS 16 upon adoption.

2.4 Summary of Significant Accounting Policies

Investments in associates and joint ventures

An associate is an entity in which the Group has a long term interest of generally not less than 20% of the equity voting rights and over which it is in a position to exercise significant influence. Significant influence is the power to participate in the financial and operating policy decisions of the investee, but is not control or joint control over those policies.

A joint venture is a type of joint arrangement whereby the parties that have joint control of the arrangement have rights to the net assets of the joint venture. Joint control is the contractually agreed sharing of control of an arrangement, which exists only when decisions about the relevant activities require the unanimous consent of the parties sharing control.

The Group's interests in associates and joint ventures are stated in the consolidated statement of financial position at the Group's share of net assets under the equity method of accounting, less any impairment losses.

Adjustments are made to bring into line any dissimilar accounting policies that may exist.

The Group's share of the post-acquisition results and other comprehensive income of associates and joint ventures is included in the consolidated statement of profit or loss and consolidated other comprehensive income, respectively. In addition, when there has been a change recognised directly in the equity of the associates or joint ventures, the Group recognises its share of any changes, when applicable, in the consolidated statement of changes in equity. Unrealised gains and losses resulting from transactions between the Group and its associates or joint ventures are eliminated to the extent of the Group's interests in the associates or joint ventures, except where unrealised losses provide evidence of an impairment of the assets transferred. Goodwill arising from the acquisition of associates or joint ventures is included as part of the Group's interests in associates or joint ventures.

If an investment in an associate becomes an investment in a joint venture or vice versa, the retained interest is not remeasured. Instead, the investment continues to be accounted for under the equity method. In all other cases, upon loss of significant influence over the associate or joint control over the joint venture, the Group measures and recognises any retained investment at its fair value. Any difference between the carrying amount of the associate or joint venture upon loss of significant influence or joint control and the fair value of the retained investment and proceeds from disposal is recognised in profit or loss.

When an investment in an associate or a joint venture is classified as held for sale, it is accounted for in accordance with IFRS 5 Non-current Assets Held for Sale and Discontinued Operations.

2.4 Summary of Significant Accounting Policies *(continued)*

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 period.

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 in these circumstances is measured based on the relative value of the operation disposed of and the portion of the cash-generating unit retained.

2.4 Summary of Significant Accounting Policies *(continued)*

Fair value measurement

The Group measures its equity investments at fair value at the end of each reporting period. Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The fair value measurement is based on the presumption that the transaction to sell the asset or transfer the liability takes place either in the principal market for the asset or liability, or in the absence of a principal market, in the most advantageous market for the asset or liability. The principal or the most advantageous market must be accessible by the Group. The fair value of an asset or a liability is measured using the assumptions that market participants would use when pricing the asset or liability, assuming that market participants act in their economic best interest.

A fair value measurement of a non-financial asset takes into account a market participant's ability to generate economic benefits by using the asset in its highest and best use or by selling it to another market participant that would use the asset in its highest and best use.

The Group uses valuation techniques that are appropriate in the circumstances and for which sufficient data are available to measure fair value, maximising the use of relevant observable inputs and minimising the use of unobservable inputs.

All assets and liabilities for which fair value is measured or disclosed in the financial statements are categorised within the fair value hierarchy, described as follows, based on the lowest level input that is significant to the fair value measurement as a whole:

Level 1 — based on quoted prices (unadjusted) in active markets for identical assets or liabilities

Level 2 — based on valuation techniques for which the lowest level input that is significant to the fair value measurement is observable, either directly or indirectly

Level 3 — based on valuation techniques for which the lowest level input that is significant to the fair value measurement is unobservable

For assets and liabilities that are recognised in the financial statements on a recurring basis, the Group determines whether transfers have occurred between levels in the hierarchy by reassessing categorisation (based on the lowest level input that is significant to the fair value measurement as a whole) at the end of each reporting period.

Impairment of non-financial assets

Where an indication of impairment exists, or when annual impairment testing for an asset is required (other than inventories, financial assets, deferred tax assets and goodwill), the asset's recoverable amount is estimated. An asset's recoverable amount is the higher of the asset's or cash-generating unit's value in use and its fair value less costs of disposal, and is determined for an individual asset, unless the asset does not generate cash inflows that are largely independent of those from other assets or groups of assets, in which case the recoverable amount is determined for the cash-generating unit to which the asset belongs.

An impairment loss is recognised only if the carrying amount of an asset exceeds its recoverable amount. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. An impairment loss is charged to the statement of profit or loss in the period in which it arises in those expense categories consistent with the function of the impaired asset.

2.4 Summary of Significant Accounting Policies *(continued)*

Impairment of non-financial assets *(continued)*

An assessment is made at the end of each reporting period as to whether there is an indication that previously recognised impairment losses may no longer exist or may have decreased. If such an indication exists, the recoverable amount is estimated. A previously recognised impairment loss of an asset other than goodwill is reversed only if there has been a change in the estimates used to determine the recoverable amount of that asset, but not to an amount higher than the carrying amount that would have been determined (net of any depreciation/amortisation) had no impairment loss been recognised for the asset in prior years. A reversal of such an impairment loss is credited to the statement of profit or loss in the period in which it arises.

Related parties

A party is considered to be related to the Group if:

(a) the party is a person or a close member of that person's family and 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 of a parent of the Group;

or

(b) the party is an entity where any of the following conditions applies:

- (i) the entity and the Group are members of the same group;
- (ii) one entity is an associate or joint venture of the other entity (or of a parent, subsidiary or fellow subsidiary of the other entity);
- (iii) the entity and the Group 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); and
- (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 parent of the Group.

2.4 Summary of Significant Accounting Policies *(continued)*

Property, plant and equipment and depreciation

Property, plant and equipment, other than construction in progress, are stated at cost less accumulated depreciation and any impairment losses. The cost of an item of property, plant and equipment comprises its purchase price and any directly attributable costs of bringing the asset to its working condition and location for its intended use.

Expenditure incurred after items of property, plant and equipment have been put into operation, such as repairs and maintenance, is normally charged to the statement of profit or loss in the period in which it is incurred. In situations where the recognition criteria are satisfied, the expenditure for a major inspection is capitalised in the carrying amount of the asset as a replacement. Where significant parts of property, plant and equipment are required to be replaced at intervals, the Group recognises such parts as individual assets with specific useful lives and depreciates them accordingly.

Depreciation is calculated on the straight-line basis to write off the cost of each item of property, plant and equipment to its residual value over its estimated useful life. The principal annual rates used for this purpose are as follows:

Buildings	2.33 %
Plant and machinery	20%
Office and other equipment	20.00%–46.00%
Motor vehicles	10.00%–33.00%
Leasehold improvements	33.00%–68.00%

Where parts of an item of property, plant and equipment have different useful lives, the cost of that item is allocated on a reasonable basis among the parts and each part is depreciated separately.

Residual values, useful lives and the depreciation method are reviewed, and adjusted if appropriate, at least at each financial year end.

An item of property, plant and equipment including any significant part initially recognised is derecognised upon disposal or when no future economic benefits are expected from its use or disposal. Any gain or loss on disposal or retirement recognised in the statement of profit or loss in the year the asset is derecognised is the difference between the net sales proceeds and the carrying amount of the relevant asset.

Construction in progress represents a building under construction, which is stated at cost less any impairment losses, and is not depreciated. Cost comprises the direct costs of construction and capitalised borrowing costs 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.

Intangible assets (other than goodwill)

Intangible assets acquired separately are measured on initial recognition at cost. The cost of intangible assets acquired in a business combination is the fair value at the date of acquisition. The useful lives of intangible assets are assessed to be either finite or indefinite. Intangible assets with finite lives are subsequently amortised over the useful economic life and assessed for impairment whenever there is an indication that the intangible asset may be impaired. The amortisation period and the amortisation method for an intangible asset with a finite useful life are reviewed at least at each financial year end.

Intangible assets with indefinite useful lives are tested for impairment annually either individually or at the cash-generating unit level. Such intangible assets are not amortised. The useful life of an intangible asset with an indefinite life is reviewed annually to determine whether the indefinite life assessment continues to be supportable. If not, the change in the useful life assessment from indefinite to finite is accounted for on a prospective basis.

2.4 Summary of Significant Accounting Policies *(continued)*

Long term lease prepayment

Amortisation of the long-term lease prepayment is calculated on the straight-line basis over the lease period.

Leases

Leases that transfer substantially all the rewards and risks of ownership of assets to the Group, other than legal title, are accounted for as finance leases. At the inception of a finance lease, the cost of the leased asset is capitalised at the present value of the minimum lease payments and recorded together with the obligation, excluding the interest element, to reflect the purchase and financing. Assets held under capitalised finance leases, including prepaid land lease payments under finance leases, are included in property, plant and equipment, and depreciated over the shorter of the lease terms and the estimated useful lives of the assets. The finance costs of such leases are charged to the statement of profit or loss so as to provide a constant periodic rate of charge over the lease terms.

Assets acquired through hire purchase contracts of a financing nature are accounted for as finance leases, but are depreciated over their estimated useful lives.

Leases where substantially all the rewards and risks of ownership of assets remain with the lessor are accounted for as operating leases. Where the Group is the lessee, rentals payable under operating leases net of any incentives received from the lessor are charged to the statement of profit or loss on the straight-line basis over the lease terms.

Prepaid land lease payments under operating leases are initially stated at cost and subsequently recognised on the straight-line basis over the lease terms.

Investments and other financial assets

Initial recognition and measurement

Financial assets are classified, at initial recognition, as financial assets at fair value through profit or loss, loans and receivables and available-for-sale financial investments, or as derivatives designated as hedging instruments in an effective hedge, as appropriate. When financial assets are recognised initially, they are measured at fair value plus transaction costs that are attributable to the acquisition of the financial assets, except in the case of financial assets recorded at fair value through profit or loss.

All regular way purchases and sales of financial assets are recognised on the trade date, that is, the date that the Group commits to purchase or sell the asset. Regular way purchases or sales are purchases or sales of financial assets that require delivery of assets within the period generally established by regulation or convention in the marketplace.

The Group only had financial assets classified as "loans and receivables" and "available-for-sale financial investments" during the years.

2.4 Summary of Significant Accounting Policies *(continued)*

Investments and other financial assets *(continued)*

Subsequent measurement

The subsequent measurement of financial assets depends on their classification as follows:

Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. After initial measurement, such assets are subsequently measured at amortised cost using the effective interest rate method less any allowance for impairment. Amortised cost is calculated by taking into account any discount or premium on acquisition and includes fees or costs that are an integral part of the effective interest rate. The effective interest rate amortisation is included in other income and gains in the statement of profit or loss. The loss arising from impairment is recognised in the statement of profit or loss in finance costs for loans and in other expenses for receivables.

Available-for-sale financial investments

Available-for-sale financial investments are non-derivative financial assets in listed and unlisted equity investments and debt securities. Equity investments classified as available for sale are those which are neither classified as held for trading nor designated as at fair value through profit or loss. Debt securities in this category are those which are intended to be held for an indefinite period of time and which may be sold in response to needs for liquidity or in response to changes in market conditions.

After initial recognition, available-for-sale financial investments are subsequently measured at fair value, with unrealised gains or losses recognised as other comprehensive income in the available-for-sale investment revaluation reserve until the investment is derecognised, at which time the cumulative gain or loss is recognised in the statement of profit or loss in other income, or until the investment is determined to be impaired, when the cumulative gain or loss is reclassified from the available-for-sale investment revaluation reserve to the statement of profit or loss in other gains or losses. Interest earned whilst holding the available-for-sale financial investments are reported as interest income, respectively and are recognised in the statement of profit or loss as other income in accordance with the policy set out for "Revenue recognition" below.

When the fair value of unlisted equity investments cannot be reliably measured because (a) the variability in the range of reasonable fair value estimates is significant for that investment or (b) the probabilities of the various estimates within the range cannot be reasonably assessed and used in estimating fair value, such investments are stated at cost less any impairment losses.

The Group evaluates whether the ability and intention to sell its available-for-sale financial assets in the near term are still appropriate. When, in rare circumstances, the Group is unable to trade these financial assets due to inactive markets, the Group may elect to reclassify these financial assets if management has the ability and intention to hold the assets for the foreseeable future or until maturity.

For a financial asset reclassified from the available-for-sale category, the fair value carrying amount at the date of reclassification becomes its new amortised cost and any previous gain or loss on that asset that has been recognised in equity is amortised to profit or loss over the remaining life of the investment using the effective interest rate. Any difference between the new amortised cost and the maturity amount is also amortised over the remaining life of the asset using the effective interest rate. If the asset is subsequently determined to be impaired, then the amount recorded in equity is reclassified to the statement of profit or loss.

2.4 Summary of Significant Accounting Policies *(continued)*

Derecognition of financial assets

A financial asset (or, where applicable, a part of a financial asset or part of a group of similar financial assets) is primarily derecognised (i.e., removed from the Group's consolidated statement of financial position) when:

- the rights to receive cash flows from the asset have expired; or

- the Group has transferred its rights to receive cash flows from the asset or has assumed an obligation to pay the received cash flows in full without material delay to a third party under a "pass-through" arrangement; and either (a) the Group has transferred substantially all the risks and rewards of the asset, or (b) the Group has neither transferred nor retained substantially all the risks and rewards of the asset, but has transferred control of the asset.

When the Group has transferred its rights to receive cash flows from an asset or has entered into a pass-through arrangement, it evaluates if and to what extent it has retained the risk and rewards of ownership of the asset. When it has neither transferred nor retained substantially all the risks and rewards of the asset nor transferred control of the asset, the Group continues to recognise the transferred asset to the extent of the Group's continuing involvement. In that case, the Group also recognises an associated liability. The transferred asset and the associated liability are measured on a basis that reflects the rights and obligations that the Group has retained.

Continuing involvement that takes the form of a guarantee over the transferred asset is measured at the lower of the original carrying amount of the asset and the maximum amount of consideration that the Group could be required to repay.

Impairment of financial assets

The Group assesses at the end of each reporting period whether there is objective evidence that a financial asset or a group of financial assets is impaired. An impairment exists if one or more events that occurred after the initial recognition of the asset have an impact on the estimated future cash flows of the financial asset or the group of financial assets that can be reliably estimated. Evidence of impairment may include indications that a debtor or a group of debtors is experiencing significant financial difficulty, default or delinquency in interest or principal payments, the probability that they will enter bankruptcy or other financial reorganisation and observable data indicating that there is a measurable decrease in the estimated future cash flows, such as changes in arrears or economic conditions that correlate with defaults.

Financial assets carried at amortised cost

For financial assets carried at amortised cost, the Group first assesses whether impairment exists individually for financial assets that are individually significant, or collectively for financial assets that are not individually significant. If the Group determines that no objective evidence of impairment exists for an individually assessed financial asset, whether significant or not, it includes the asset in a group of financial assets with similar credit risk characteristics and collectively assesses them for impairment. Assets that are individually assessed for impairment and for which an impairment loss is, or continues to be, recognised are not included in a collective assessment of impairment.

The amount of any impairment loss identified is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows (excluding future credit losses that have not yet been incurred). The present value of the estimated future cash flows is discounted at the financial asset's original effective interest rate (i.e., the effective interest rate computed at initial recognition).

2.4 Summary of Significant Accounting Policies *(continued)*

Impairment of financial assets *(continued)*

Financial assets carried at amortised cost *(continued)*

The carrying amount of the asset is reduced through the use of an allowance account and the loss is recognised in the statement of profit or loss. Interest income continues to be accrued on the reduced carrying amount using the rate of interest used to discount the future cash flows for the purpose of measuring the impairment loss. Loans and receivables together with any associated allowance are written off when there is no realistic prospect of future recovery and all collateral has been realised or has been transferred to the Group.

If, in a subsequent period, the amount of the estimated impairment loss increases or decreases because of an event occurring after the impairment was recognised, the previously recognised impairment loss is increased or reduced by adjusting the allowance account. If a write-off is later recovered, the recovery is credited to other expenses in the statement of profit or loss.

Assets carried at cost

If there is objective evidence that an impairment loss has been incurred on an unquoted equity instrument that is not carried at fair value because its fair value cannot be reliably measured, or on a derivative asset that is linked to and must be settled by delivery of such an unquoted equity instrument, the amount of the loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows discounted at the current market rate of return for a similar financial asset. Impairment losses on these assets are not reversed.

Available-for-sale financial investments

For available-for-sale financial investments, the Group assesses at the end of each reporting period whether there is objective evidence that an investment or a group of investments is impaired.

If an available-for-sale asset is impaired, an amount comprising the difference between its cost (net of any principal payment and amortisation) and its current fair value, less any impairment loss previously recognised in the statement of profit or loss, is removed from other comprehensive income and recognised in the statement of profit or loss.

In the case of equity investments classified as available for sale, objective evidence would include a significant or prolonged decline in the fair value of an investment below its cost. "Significant" is evaluated against the original cost of the investment and "prolonged" against the period in which the fair value has been below its original cost. Where there is evidence of impairment, the cumulative loss — measured as the difference between the acquisition cost and the current fair value, less any impairment loss on that investment previously recognised in the statement of profit or loss — is removed from other comprehensive income and recognised in the statement of profit or loss.

Impairment losses on equity instruments classified as available for sale are not reversed through the statement of profit or loss. Increases in their fair value after impairment are recognised directly in other comprehensive income.

The determination of what is "significant" or "prolonged" required judgement. In making this judgement, the Group evaluates, among other factors, the duration or extent to which the fair value of an investment is less than its cost.

2.4 Summary of Significant Accounting Policies *(continued)*

Financial liabilities

Initial recognition and measurement

Financial liabilities are classified, at initial recognition, as financial liabilities at fair value through profit or loss, loans and borrowings, or as derivatives designated as hedging instruments in an effective hedge, as appropriate.

All financial liabilities are recognised initially at fair value and, in the case of loans and borrowings, net of directly attributable transaction costs.

The Group's financial liabilities include trade payables, other payables and accruals and interest-bearing bank and other borrowings.

Subsequent measurement

The subsequent measurement of financial liabilities depends on their classification as follows:

Loans and borrowings

After initial recognition, interest-bearing loans and borrowings are subsequently measured at amortised cost, using the effective interest rate method unless the effect of discounting would be immaterial, in which case they are stated at cost. Gains and losses are recognised in the statement of profit or loss when the liabilities are derecognised as well as through the effective interest rate amortisation process.

Amortised cost is calculated by taking into account any discount or premium on acquisition and fees or costs that are an integral part of the effective interest rate. The effective interest rate amortisation is included in finance costs in the statement of profit or loss.

Derecognition of financial liabilities

A financial liability is derecognised when the obligation under the liability is discharged or cancelled, or expires.

When an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as a derecognition of the original liability and a recognition of a new liability, and the difference between the respective carrying amounts is recognised in the consolidated statement of profit or loss.

Offsetting of financial instruments

Financial assets and financial liabilities are offset and the net amount is reported in the statement of financial position if there is a currently enforceable legal right to offset the recognised amounts and there is an intention to settle on a net basis, or to realise the assets and settle the liabilities simultaneously.

Inventories

Inventories are stated at the lower of cost and net realisable value. Cost is determined on the weighted average basis and, in the case of work in progress and finished goods, comprises direct materials, direct labour and an appropriate proportion of overheads. Net realisable value is based on estimated selling prices less any estimated costs to be incurred to completion and disposal.

2.4 Summary of Significant Accounting Policies *(continued)*

Cash and cash equivalents

For the purpose of the consolidated statement of cash flows, cash and cash equivalents comprise cash on hand and demand deposits, and short term highly liquid investments that are readily convertible into known amounts of cash, are subject to an insignificant risk of changes in value, and have a short maturity of generally within three months when acquired, less bank overdrafts which are repayable on demand and form an integral part of the Group's cash management.

For the purpose of the consolidated statement of financial position, cash and cash equivalents comprise cash on hand and at banks, including term deposits, and assets similar in nature to cash, which are not restricted as to use.

Provisions

A provision is recognised when a present obligation (legal or constructive) has arisen as a result of a past event and it is probable that a future outflow of resources will be required to settle the obligation, provided that a reliable estimate can be made of the amount of the obligation.

When the effect of discounting is material, the amount recognised for a provision is the present value at the end of the reporting period of the future expenditures expected to be required to settle the obligation. The increase in the discounted present value amount arising from the passage of time is included in finance costs in the statement of profit or loss.

Income tax

Income tax comprises current and deferred tax. Income tax relating to items recognised outside profit or loss is recognised outside profit or loss, either in other comprehensive income or directly in equity.

Current tax assets and liabilities are measured at the amount expected to be recovered from or paid to the taxation authorities, based on tax rates (and tax laws) that have been enacted or substantively enacted by the end of the reporting period, taking into consideration interpretations and practices prevailing in the countries in which the Group operates.

Deferred tax is provided, using the liability method, on all temporary differences at the end of the reporting period between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes.

Deferred tax liabilities are recognised for all taxable temporary differences, except:

- when the deferred tax liability arises from the initial recognition of goodwill or an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss; and

- in respect of taxable temporary differences associated with investments in subsidiaries, when the timing of the reversal of the temporary differences can be controlled and it is probable that the temporary differences will not reverse in the foreseeable future.

2.4 Summary of Significant Accounting Policies *(continued)*

Income tax *(continued)*

Deferred tax assets are recognised for all deductible temporary differences, the carryforward of unused tax credits and any unused tax losses. Deferred tax assets are recognised to the extent that it is probable that taxable profit will be available against which the deductible temporary differences, and the carryforward of unused tax credits and unused tax losses can be utilised, except:

- when the deferred tax asset relating to the deductible temporary differences arises from the initial recognition of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss; and

- in respect of deductible temporary differences associated with investments in subsidiaries, deferred tax assets are only recognised to the extent that it is probable that the temporary differences will reverse in the foreseeable future and taxable profit will be available against which the temporary differences can be utilised.

The carrying amount of deferred tax assets is reviewed at the end of each reporting period and reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the deferred tax asset to be utilised. Unrecognised deferred tax assets are reassessed at the end of each reporting period and are recognised to the extent that it has become probable that sufficient taxable profit will be available to allow all or part of the deferred tax asset to be recovered.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply to the period when the asset is realised or the liability is settled, based on tax rates (and tax laws) that have been enacted or substantively enacted by the end of the reporting period.

Deferred tax assets and deferred tax liabilities are offset if a legally enforceable right exists to set off current tax assets against current tax liabilities and the deferred taxes relate to the same taxable entity and the same taxation authority.

Revenue recognition

Revenue is recognised when it is probable that the economic benefits will flow to the Group and when the revenue can be measured reliably, on the following bases:

(a) from the sale of goods, when the significant risks and rewards of ownership have been transferred to the buyer, provided that the Group maintains neither managerial involvement to the degree usually associated with ownership, nor effective control over the goods sold. The adjustments on actual sales return made by customers are recognised against the sales revenue. The relevant cost of goods sold and closing inventories are also adjusted accordingly.

(b) interest income, on an accrual basis using the effective interest method by applying the rate that discounts the estimated future cash receipts over the expected life of the financial instrument to the net carrying amount of the financial asset.

2.4 Summary of Significant Accounting Policies *(continued)*

Share-based payments

The Company operates a share option scheme and a share award plan for the purpose of providing incentives and rewards to eligible participants who contribute to the success of the Group's operations. Employees (including directors) of the Group receive remuneration in the form of share-based payments, whereby employees render services as consideration for equity instruments ("equity-settled transactions").

The cost of equity-settled transactions with employees for grants after 7 November 2002 is measured by reference to the fair value at the date at which they are granted. Further details of which are given in notes 30 and 31 to the financial statements.

The cost of equity-settled transactions is recognised in employee benefit expense, together with a corresponding increase in equity, over the period in which the performance and/or service conditions are fulfilled. The cumulative expense recognised for equity-settled transactions at the end of each reporting period until the vesting date reflects the extent to which the vesting period has expired and the Group's best estimate of the number of equity instruments that will ultimately vest. The charge or credit to the statement of profit or loss for a period represents the movement in the cumulative expense recognised as at the beginning and end of that period.

Service and non-market performance conditions are not taken into account when determining the grant date fair value of awards, but the likelihood of the conditions being met is assessed as part of the Group's best estimate of the number of equity instruments that will ultimately vest. Market performance conditions are reflected within the grant date fair value. Any other conditions attached to an award, but without an associated service requirement, are considered to be non-vesting conditions. Non-vesting conditions are reflected in the fair value of an award and lead to an immediate expensing of an award unless there are also service and/or performance conditions.

For awards that do not ultimately vest because non-market performance and/or service conditions have not been met, no expense is recognised. When awards include a market or non-vesting condition, the transactions are treated as vesting irrespective of whether or not the market or non-vesting condition is satisfied, provided that all other performance and/or service conditions are satisfied.

Where the terms of an equity-settled award are modified, as a minimum an expense is recognised as if the terms had not been modified, if the original terms of the award are met. In addition, an expense is recognised for any modification that increases the total fair value of the share-based payments, or is otherwise beneficial to the employee as measured at the date of modification.

Where an equity-settled award is cancelled, it is treated as if it had vested on the date of cancellation, and any expense not yet recognised for the award is recognised immediately. This includes any award where non-vesting conditions within the control of either the Group or the employee are not met. However, if a new award is substituted for the cancelled award, and is designated as a replacement award on the date that it is granted, the cancelled and new awards are treated as if they were a modification of the original award, as described in the previous paragraph.

The dilutive effect of outstanding options is reflected as additional share dilution in the computation of earnings per share.

2.4 Summary of Significant Accounting Policies *(continued)*

Employee retirement benefits

As stipulated by the rules and regulations of Mainland China, the Company's subsidiaries registered in Mainland China are required to contribute to a state-sponsored retirement plan for all its Mainland China employees at certain percentages of the basic salaries predetermined by the local governments. The state-sponsored retirement plan is responsible for the entire retirement benefit obligations payable to retired employees and the Group has no further obligations for the actual retirement benefit payments or other post-retirement benefits beyond the annual contributions.

Under the Mandatory Provident Fund Schemes Ordinance in Hong Kong, the Company's subsidiaries registered in Hong Kong operate a defined contribution Mandatory Provident Fund retirement benefit scheme (the "MPF Scheme") for those employees who are eligible to participate in the MPF Scheme. Contributions are made based on a percentage of the employees' basic salaries and are charged to the statement of profit or loss as they become payable in accordance with the rules of the MPF Scheme. The assets of the MPF Scheme are held separately from those of the Group in an independently administered fund. The Group's employer contributions vest fully with the employees when contributed into the MPF Scheme

The costs of employee retirement benefits are recognised as expenses in the consolidated statement of profit or loss in the period in which they are incurred.

Borrowing costs

Borrowing costs directly attributable to the acquisition, construction or production of qualifying assets, i.e., assets that necessarily take a substantial period of time to get ready for their intended use or sale, are capitalised as part of the cost of those assets. The capitalisation of such borrowing costs ceases when the assets are substantially ready for their intended use or sale. Investment income earned on the temporary investment of specific borrowings pending their expenditure on qualifying assets is deducted from the borrowing costs capitalised. All other borrowing costs are expensed in the period in which they are incurred. Borrowing costs consist of interest and other costs that an entity incurs in connection with the borrowing of funds.

Dividends

Final dividends are recognised as a liability when they are approved by the shareholders in a general meeting.

Interim dividends are simultaneously proposed and declared, because the Company's memorandum and articles of association grant the directors the authority to declare interim dividends. Consequently, interim dividends are recognised immediately as a liability when they are proposed and declared.

Foreign currencies

These financial statements are presented in RMB. The Company's functional currency is Hong Kong dollars ("HK$"). These financial statements are presented in RMB for the convenience of the users of the financial statements as RMB is the currency of the primary economic environment in which the Group operates. Each entity in the Group determines its own functional currency and items included in the financial statements of each entity are measured using that functional currency. Foreign currency transactions recorded by the entities in the Group are initially recorded using their respective functional currency rates prevailing at the dates of the transactions. Monetary assets and liabilities denominated in foreign currencies are translated at the functional currency rates of exchange ruling at the end of the reporting period. Differences arising on settlement or translation of monetary items are recognised in the statement of profit or loss.

Non-monetary items that are measured in terms of historical cost in a foreign currency are translated using the exchange rates at the dates of the initial transactions. Non-monetary items measured at fair value in a foreign currency are translated using the exchange rates at the date when the fair value was measured. The gain or loss arising on translation of a non-monetary item measured at fair value is treated in line with the recognition of the gain or loss on change in fair value of the item (i.e., translation difference on the item whose fair value gain or loss is recognised in other comprehensive income or profit or loss is also recognised in other comprehensive income or profit or loss, respectively).

2.4 Summary of Significant Accounting Policies *(continued)*

Foreign currencies *(continued)*

The functional currencies of certain Hong Kong and overseas subsidiaries are currencies other than RMB. As at the end of the reporting period, the assets and liabilities of these entities are translated into RMB at the exchange rates prevailing at the end of the reporting period and their statements of profit or loss are translated into RMB at the weighted average exchange rates for the year.

The resulting exchange differences are recognised in other comprehensive income and accumulated in the exchange fluctuation reserve. On disposal of a foreign operation, the component of other comprehensive income relating to that particular foreign operation is recognised in the statement of profit or loss.

For the purpose of the consolidated statement of cash flows, the cash flows of Hong Kong and overseas subsidiaries are translated into RMB at the exchange rates ruling at the dates of the cash flows. Frequently recurring cash flows of Hong Kong and overseas subsidiaries which arise throughout the year are translated into RMB at the weighted average exchange rates for the year since RMB has been defined.

3. Significant Accounting Judgements and Estimates

The preparation of the Group's financial statements requires management to make judgements, estimates and assumptions that affect the reported amounts of revenues, expenses, assets and liabilities, and their accompanying disclosures, and the disclosure of contingent liabilities. Uncertainty about these assumptions and estimates could result in outcomes that could require a material adjustment to the carrying amounts of the assets or liabilities affected in the future.

Estimation uncertainty

The key assumptions concerning the future and other key sources of estimation uncertainty at the end of the reporting period that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are described below.

Impairment of property, plant and equipment

The Group assesses whether there are any indicators of impairment for an asset at the end of each reporting period. The asset is tested for impairment when there are indicators that the carrying amounts may not be recoverable. When value in use calculations are undertaken, an estimation of the value in use of the cash-generating units to which the asset is allocated will be required. Estimating the value in use requires the Group to make an estimate of the expected future cash flows from the cash-generating units and also to choose a suitable discount rate in order to calculate the present value of those cash flows. A change in the estimated future cash flows and/or the discount rate applied will result in an adjustment to the estimated impairment made.

Useful lives and residual values of property, plant and equipment

In determining the useful life and residual value of an item of property, plant and equipment, the Group considers various factors, such as technical or commercial obsolescence arising from changes or improvements in production or from a change in the market demand for the product or service output of the asset, expected usage of the asset, expected physical wear and tear, care and maintenance of the asset, and legal or similar limits on the use of the asset. The estimation of the useful life of the asset is based on the experience of the Group with similar assets that are used in a similar way. Additional depreciation is made if the estimated useful lives and/or the residual values of items of property, plant and equipment are different from the previous estimation. Useful lives and residual values are reviewed at each financial year end date based on changes in circumstances.

3. Significant Accounting Judgements and Estimates *(continued)*

Estimation uncertainty *(continued)*

Impairment of goodwill

The Group determines whether goodwill is impaired at least on an annual basis. This requires an estimation of the value in use of the cash-generating units to which the goodwill is allocated. Estimating the value in use requires the Group to make an estimate of the expected future cash flows from cash-generating units and also to choose a suitable discount rate in order to calculate the present value of those cash flows. Further details are given in note 15.

Write-down of inventories to net realisable value

Write-down of inventories to net realisable value is made based on the estimated net realisable value of the inventories. The assessment of the provision required involves management's judgement and estimates on market conditions. Where the actual outcome or expectation in future is different from the original estimate, such differences will have impact on the carrying amounts of inventories and result in additional write-down charge/ write-back of provision of inventories in the period in which such estimate has been changed.

Deferred tax assets

Deferred tax assets are recognised for unused tax losses to the extent that it is probable that taxable profit will be available against which the losses can be utilised. Significant management judgement is required to determine the amount of deferred tax assets that can be recognised, based upon the likely timing and level of future taxable profits together with future tax planning strategies. Further details are contained in note 28 to the financial statements.

4. Operating Segment Information

The Group is principally engaged in the manufacturing and trading of clothing and clothing accessories. For management purposes, the Group operates in one business unit and has one reportable operating segment, which is the clothing segment that produces and trades menswear, children's wear and other accessories.

No operating segments have been aggregated to form the above reportable operating segment.

As all of the Group's revenue is derived from customers based in the People's Republic of China (the "PRC") and all of the Group's identifiable non-current assets are located in the PRC, no geographical information is presented in accordance with IFRS 8 *Operating Segments*.

5. Revenue, Other Income and Gains

Revenue represents the net invoiced value of goods sold, after allowances for returns and trade discounts.

An analysis of revenue, other income and gains is as follows:

	2016 RMB'000	2015 RMB'000
Revenue		
Sale of goods	**421,839**	451,565
Other income and gains		
Foreign exchange gains, net	**20,415**	2,526
Bank interest income	**14,333**	11,206
Others	**729**	3,498
	35,477	17,230

6. Loss before Tax

The Group's loss before tax are arrived at after charging/(crediting):

	Notes	**2016 RMB'000**	2015 RMB'000
Cost of inventories sold		**183,135**	152,131
Depreciation	13	**32,326**	29,213
Amortisation of long term lease prepayment	17	**1,582**	1,532
Recognition of prepaid land lease payment	14	**641**	–
Operating lease rental expense:			
— Minimum lease payments		**25,904**	20,338
— Contingent rents		**106,447**	123,983
		132,351	144,321
Auditors' remuneration		**1,756**	1,661
Employee benefit expense (excluding directors' remuneration (note 8)):			
— Wages and salaries		**63,369**	80,470
— Pension scheme contributions		**7,850**	9,396
— Equity-settled share option expense		**906**	1,049
— Equity-settled share award expense		**1,178**	4,004
		73,303	94,919
Write-down of inventories*	20	**5,496**	30,431
(Gain)/loss on disposal of items of property, plant and equipment		**(36)**	193*
Impairment of an investment in an associate*	18	**7,300**	–
Impairment of leasehold improvements*	13	**3,931**	–
Impairment of trade receivables*	21	**1,307**	–
Foreign exchange differences, net		**(20,415)**	(2,526)

* These items are included in "Other expenses" in the consolidated statement of profit or loss.

7. Finance Costs

	2016 RMB'000	2015 RMB'000
Interest on bank and other borrowings	**12,228**	16,811
Interest on bonds payable	**2,313**	–
Interest on a finance lease	**127**	–
	14,668	16,811

8. Directors' Remuneration

Directors' remuneration for the year, disclosed pursuant to the Listing Rules, section 383(1)(a), (b), (c) and (f) of the Hong Kong Companies Ordinance and Part 2 of the Companies (Disclosure of Information about Benefits of Directors) Regulation, is as follows:

	2016 RMB'000	2015 RMB'000
Fees	**615**	585
Other emoluments:		
Salaries, allowances and benefits in kind	**6,620**	6,509
Equity-settled share option expense	**855**	1,656
Pension scheme contributions	**99**	91
	7,574	8,256
	8,189	8,841

During the year, share options were granted to the directors in respect of their services to the Group, further details of which are set out in note 30 to the financial statements. The fair value of these options, which has been recognised in the statement of profit or loss over the vesting period, was determined as at the date of grant and the amount included in the financial statements for the current year is included in the above directors' and chief executive's remuneration disclosures.

(a) Independent non-executive directors

The fees and equity-settled share option expense paid to independent non-executive directors during the year were as follows:

2016

	Fees RMB'000
Mr. FONG Wo, Felix	**205**
Mr. CHENG King Hoi, Andrew	**205**
Mr. NG Wing Fai*	**116**
Mr. KWOK Chi Sun, Vincent*	**89**
	615

* Mr. KWOK Chi Sun, Vincent was retired as an independent non-executive director on 7 June 2016 and Mr. NG Wing Fai was appointed on the same day.

8. Directors' Remuneration *(continued)*

(a) Independent non-executive directors *(continued)*

2015

	Fees RMB'000	Equity-settled share option expense RMB'000	Total remuneration RMB'000
Mr. FONG Wo, Felix	195	212	407
Mr. KWOK Chi Sun, Vincent	195	212	407
Mr. CHENG King Hoi, Andrew	195	212	407
	585	636	1,221

There were no other emoluments payable to the independent non-executive directors during the year (2015: Equity-settle share option expense: RMB636,000).

(b) Executive directors

	Fees RMB'000	Salaries, allowances and benefits in kind RMB'000	Equity-settled share option expense RMB'000	Pension scheme contributions RMB'000	Total remuneration RMB'000
2016					
Executive directors:					
CHAN Yuk Ming (陳育明)	**–**	**2,300**	**285**	**15**	**2,600**
CHEN Yunan (陳育南)	**–**	**2,160**	**285**	**42**	**2,487**
CHEN Minwen (陳敏文)	**–**	**2,160**	**285**	**42**	**2,487**
	–	**6,620**	**855**	**99**	**7,574**
2015					
Executive directors:					
CHAN Yuk Ming (陳育明)	–	2,179	340	15	2,534
CHEN Yunan (陳育南)	–	2,165	340	38	2,543
CHEN Minwen (陳敏文)	–	2,165	340	38	2,543
	–	6,509	1,020	91	7,620

There was no arrangement under which a director waived or agreed to waive any remuneration during the year.

9. Five Highest Paid Employees

The five highest paid employees during the year included three executive directors (2015: three executive directors), details of whose remuneration are set out in note 8 above. Details of the remuneration for the year of the remaining two (2015: two) highest paid employees who are neither a director nor chief executive of the Company are as follows:

	2016 RMB'000	2015 RMB'000
Salaries, allowances and benefits in kind	**3,585**	3,378
Equity-settled share option expense	**26**	292
Pension scheme contributions	**57**	53
	3,668	3,723

The number of non-director highest paid employees whose remuneration fell within the following bands is as follows:

	Number of employees 2016	 2015
RMB1,000,001 to RMB1,500,000	**1**	1
RMB2,000,001 to RMB2,500,000	**1**	1
	2	2

During the year, share options were granted to the non-director and non-chief executive highest paid employee in respect of their services to the Group, further details of which are included in the disclosures in note 30 to the financial statements. The fair value of these share options, which has been recognised in the consolidated statement of profit or loss over the vesting period, was determined as at the date of grant and the amount included in the financial statements for the current year is included in the above non-director and non-chief executive highest paid employees' remuneration disclosures.

10. Income Tax

The Group is subject to income tax on an entity basis on profits arising in or derived from the jurisdictions in which members of the Group are domiciled and operate.

No profits tax has been provided for profits derived from the Cayman Islands and the BVI in both 2016 and 2015 since the applicable profits tax rate was zero.

Hong Kong profits tax has been provided at the rate of 16.5% on the estimated assessable profits arising in Hong Kong during the year ended 31 December 2016 (2015: no Hong Kong profits tax has been provided).

Macau profits tax has been provided at the rates ranging from 0% to 12% (2015: 0% to 12%) depending on the extent of estimated assessable profits arising in Macau during the years ended 31 December 2016 and 2015.

The income tax provision of the Group in respect of its operations in Mainland China has been provided at the rate of 25% (2015: 25%) on the taxable profits for the years ended 31 December 2016 and 2015, based on the existing legislation, interpretations and practices in respect thereof.

	2016 **RMB'000**	2015 RMB'000
Current — Charge for the year		
Hong Kong	**144**	–
Mainland China	**845**	4,194
Deferred (note 28)	**(212)**	(7,162)
Total tax charge/(credit) for the year	**777**	(2,968)

A reconciliation of the tax expense applicable to loss before tax at the statutory rate for the jurisdiction in which the Company and the majority of its subsidiaries are domiciled to the tax expense at the effective tax rate, and a reconciliation of the applicable rate (i.e., the statutory tax rate) to the effective tax rate, are as follows:

	2016 **RMB'000**	**%**	2015 RMB'000	%
Loss before tax	**(79,632)**		(78,543)	
Tax at the statutory tax rate	**(19,908)**	25.00	(19,636)	25.00
Lower tax rates enacted by local authorities	**6,545**	(8.22)	2,087	(2.66)
Income not subject to tax	**(5,459)**	6.86	(467)	0.59
Expenses not deductible for tax	**4,228**	(5.31)	4,146	(5.28)
Tax losses not recognised	**15,371**	(19.30)	10,902	(13.88)
Tax charge/(credit) at the Group's effective rate	**777**	(0.98)	(2,968)	3.78

11. Dividends

The board of directors (the "Board") did not recommend the payment of dividend for the year ended 31 December 2016 (2015: Nil) to the equity holders of the Company.

12. Loss per Share Attributable to Ordinary Equity Holders of the Company

The calculation of the basic loss per share amount is based on the loss attributable to ordinary equity holders of the Company, and the adjusted weighted average number of shares in issue of 946,043,804 (2015: 943,906,010) during the year ended 31 December 2016, which reflects the ordinary shares held for the Share Award Plan of the Company during the year.

The calculation of the diluted loss per share amount is based on the loss attributable to ordinary equity holders of the Company. The weighted average number of ordinary shares used in the calculation is the number of ordinary shares in issue during the year, as used in the basic loss per share calculation, and the weighted average number of ordinary shares assumed to have been issued at no consideration on the deemed exercise or conversion of all dilutive potential ordinary shares into ordinary shares.

No adjustment has been made to the basic loss per share amount presented for the years ended 31 December 2016 and 2015 in respect of a dilution as the impact of the outstanding share options had an anti-dilutive effect on the basic loss per share amount presented.

The calculation of basic and diluted loss per share is based on:

	2016 **RMB'000**	2015 RMB'000
Loss		
Loss attributable to ordinary equity holders of the Company used in the basic loss per share calculation	**80,409**	75,575

	Number of shares **2016**	2015
Shares		
Number of ordinary shares in issue	**948,825,763**	948,825,763
Weighted average number of ordinary shares held for the Share Award Plan	**(2,781,959)**	(4,919,753)
Adjusted weighted average number of ordinary shares in issue used in the basic loss per share calculation	**946,043,804**	943,906,010
Effect of dilution — weighted average number of ordinary shares:		
Share options	**834,995**	3,350,172
Adjusted weighted average number of ordinary shares in issue used in the diluted loss per share calculation	**946,878,799**	947,256,182

13. Property, Plant and Equipment

	Buildings RMB'000	Plant and machinery RMB'000	Office and other equipment RMB'000	Motor vehicles RMB'000	Leasehold improvements RMB'000	Total RMB'000
31 December 2016						
1 January 2016:						
Cost	363,330	1,274	10,115	12,623	53,926	441,268
Accumulated depreciation	(8,428)	(1,188)	(5,978)	(7,692)	(19,597)	(42,883)
Net carrying amount	354,902	86	4,137	4,931	34,329	398,385
At 1 January 2016, net of accumulated depreciation	354,902	86	4,137	4,931	34,329	398,385
Additions	6,467	–	182	1,301	8,997	16,947
Disposals	–	–	(8)	–	–	(8)
Depreciation provided during the year	(10,407)	(3)	(1,629)	(1,771)	(18,516)	(32,326)
Impairment	–	–	–	–	(3,931)	(3,931)
Exchange realignment	–	–	78	16	320	414
At 31 December 2016, net of accumulated depreciation	350,962	83	2,760	4,477	21,199	379,481
At 31 December 2016:						
Cost	369,796	1,274	10,467	13,603	44,279	439,419
Accumulated depreciation	(18,834)	(1,191)	(7,707)	(9,126)	(23,080)	(59,938)
Net carrying amount	350,962	83	2,760	4,477	21,199	379,481

13. Property, Plant and Equipment *(continued)*

	Construction in progress RMB'000	Buildings RMB'000	Plant and machinery RMB'000	Office and other equipment RMB'000	Motor vehicles RMB'000	Leasehold improvements RMB'000	Total RMB'000
31 December 2015							
1 January 2015:							
Cost	361,723	–	1,461	7,331	12,218	40,133	422,866
Accumulated depreciation	–	–	(1,361)	(5,316)	(5,756)	(18,518)	(30,951)
Net carrying amount	361,723	–	100	2,015	6,462	21,615	391,915
At 1 January 2015, net of accumulated depreciation	361,723	–	100	2,015	6,462	21,615	391,915
Additions	–	1,887	–	3,701	25	30,412	36,025
Disposals	–	–	(10)	(409)	–	–	(419)
Transfer	(361,723)	361,723	–	–	–	–	–
Depreciation provided during the year	–	(8,708)	(4)	(1,197)	(1,583)	(17,721)	(29,213)
Exchange realignment	–	–	–	27	27	23	77
At 31 December 2015, net of accumulated depreciation	–	354,902	86	4,137	4,931	34,329	398,385
At 31 December 2015:							
Cost	–	363,330	1,274	10,115	12,623	53,926	441,268
Accumulated depreciation	–	(8,428)	(1,188)	(5,978)	(7,692)	(19,597)	(42,883)
Net carrying amount	–	354,902	86	4,137	4,931	34,329	398,385

The net carrying amount of the Group's fixed asset held under finance leases included in the total amounts of motor vehicles at 31 December 2016 was RMB503,000 (2015: Nil).

At 31 December 2016, certain of the Group's buildings with a net carrying amount of approximately RMB262,800,000 (2015: Nil) were pledged to secure banking facilities granted to the Group (note 26).

During the year of 2016, a net impairment charge of RMB3,931,000 (2015: Nil) was recorded as a result of the annual review of impairment of leasehold improvements of self-operated stores.

Where indicators of impairment were identified, the impairment review compared the value-in-use of the cash generating units to the carrying values at 31 December 2016. The cash flow projections were based on financial plans of expected revenues and costs of each retail cash generating unit, as approved by management, and extrapolated beyond the budget year to the lease exit dates using growth rates and inflation rates appropriate to each store's location. The pre-tax discount rate used in these calculations was 21%, based on the Group's weighted average cost of capital adjusted for specific tax rates and risks. Where the value-in-use was less than the carrying value of the cash generating unit, an impairment of property, plant and equipment was recorded.

14. Prepaid Land Lease Payment

	Notes	RMB'000
Carrying amount at 1 January 2016		–
Transferred from prepayment for non-current assets	*22*	46,300
Addition		1,389
Recognition		(641)
Carrying amount at 31 December 2016		47,048
Current portion included in prepayments, deposits and other receivables	*22*	(962)
Non-current portion		46,086

15. Goodwill

	RMB'000
Cost and net carrying amount at 31 December 2016 and 2015	1,880

Impairment testing of goodwill

Goodwill acquired through business combinations has been allocated to the product selling cash-generating unit for impairment testing. The recoverable amount is determined based on a value in use calculation using cash flow projections based on financial budgets approved by senior management covering a three-year period. The pre-tax discount rate applied to the cash flow projection is 21%. The growth rate used to extrapolate the cash flows for the second and third years reflects current market assessments of the time value of money and the risks specific to the asset.

Assumptions were used in the value in use calculation of the product selling cash-generating unit for 31 December 2016 and 2015. The following describes each key assumption on which management has based its cash flow projections to undertake impairment testing of goodwill:

Budgeted gross margins — The basis used to determine the value assigned to the budgeted gross margins is the average gross margins achieved in the year immediately before the budget year, increased for expected efficiency improvements, and expected market development.

Discount rate — The discount rate used is before tax and reflects specific risks relating to the relevant unit.

The values assigned to the key assumptions on market development of the retail industry, discount rate and raw materials price inflation are consistent with external information sources.

16. Other Intangible Asset

	2016 RMB'000	2015 RMB'000
Golf club debenture	**4,115**	3,855

The golf club debenture represents a club membership in Hong Kong. The directors consider that no impairment of the balance of the golf club debenture is required as its fair value was higher than its carrying value as at 31 December 2016.

17. Long Term Lease Prepayment

	2016 RMB'000	2015 RMB'000
1 January, net of accumulated amortisation	**65,760**	67,292
Amortisation provided during the year	**(1,582)**	(1,532)
Net carrying amount	**64,178**	65,760

The long term lease prepayment was amortised on a straight-line basis over the lease period.

18 Investment in an Associate

	2016 RMB'000
Share of net assets	**1,732**
Goodwill on acquisition	**5,568**
	7,300
Provision for impairment (note 6)	**(7,300)**
	–

The Group's shareholding in the associate represents equity shares held through a wholly-owned subsidiary of the Company.

During the year, the Group subscribed 20% interest in an online apparel project company in Hangzhou. The directors deemed that the likelihood of the associate to generate a substantial profit in the near future is remote. Hence, the directors decided to impair the investment with an amount of RMB7,300,000.

19. Available-For-Sale Investment

		2016 RMB'000	2015 RMB'000
Unlisted equity investment, at cost:			
PRC	*(a)*	**36,800**	–
Listed equity investment, at fair value:			
Hong Kong	*(b)*	**50,502**	50,502
		87,302	50,502
Impairment loss		**(50,502)**	(50,502)
		36,800	–

Notes:

(a) The Group's available-for-sale investment as at 31 December 2016 consisted of an unlisted equity investment through which the Group subscribed 16% equity interests in an investment fund in the PRC amounting to RMB36,800,000. It was measured at cost because the investment did not have a quoted market price in an active market. In the opinion of the directors, the fair value of such investments cannot be measured reliably and the underlying fair value of the investment was not less than the carrying value of the investment as at 31 December 2016.

(b) In 2014, the Group subscribed as a cornerstone investor for 29,400,000 ordinary shares of Fujian Nuoqi Co., Ltd. ("Nuoqi"), a listed company in Hong Kong, at a cash consideration of RMB50,502,000. Market price of Nuoqi's shares declined significantly after its shares debuted on 9 January 2014 and the trading of Nuoqi's shares has been suspended since 23 July 2014. The directors considered that the significant and prolonged decline in market value of Nuoqi's shares indicated that the investment has been fully impaired as at 31 December 2014. Trading of Nuoqi's shares continued to be suspended during the year ended 31 December 2016.

20. Inventories

	2016 RMB'000	2015 RMB'000
Raw materials	**6,469**	9,072
Work in progress	**2,906**	3,604
Finished goods	**181,928**	251,007
	191,303	263,683

The amount of the inventory provision recognised for the year ended 31 December 2016 was RMB5,496,000 (2015: RMB30,431,000) (Note 6).

21. Trade Receivables

	2016 RMB'000	2015 RMB'000
Trade receivables	**88,195**	84,900
Impairment of trade receivables	**(1,307)**	–
	86,888	84,900

Retail sales are made in cash or by credit card and sales through department stores are generally collectible within one month to three months. Sales to distributors are mainly on credit. The credit period is generally one month, extending up to three months. The Group grants longer credit periods to those long standing customers with good payment history.

The Group seeks to maintain strict control over its outstanding receivables. Overdue balances are reviewed regularly by senior management. In view of the aforementioned and the fact that the Group's trade receivables relate to a large number of diversified customers, there is no significant concentration of credit risk. Trade receivables are non-interest-bearing.

An ageing analysis of the trade receivables as at the end of the reporting period, based on the invoice date and net of provisions, is as follows:

	2016 RMB'000	2015 RMB'000
Within 1 month	**56,627**	56,645
1 to 3 months	**11,654**	17,620
3 to 6 months	**9,717**	7,659
6 months to 1 year	**3,442**	2,192
Over 1 year	**5,448**	784
	86,888	84,900

The movements in provision for impairment of trade receivables are as follows:

	2016 RMB'000
At beginning of year	**–**
Impairment losses recognised (note 6)	**1,307**
	1,307

Included in the above provision for impairment of trade receivables is a provision for individually impaired trade receivables of RMB1,307,000 (2015: Nil) with a carrying amount before provision of RMB4,149,000 (2015: Nil).

The individually impaired trade receivables relate to customers that were in financial difficulties or were in default in principal payments and only a portion of the receivables is expected to be recovered.

21. Trade Receivables *(continued)*

The ageing analysis of the trade and bills receivables that are not individually nor collectively considered to be impaired is as follows:

	2016 RMB'000	2015 RMB'000
Neither past due nor impaired	**68,281**	74,265
Less than 3 months past due	**9,717**	7,659
3 to 6 months past due	**1,777**	2,049
6 months to 1 year past due	**3,485**	693
Over 1 year past due	**786**	234
	84,046	84,900

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

Receivables that were past due but not impaired relate to a number of independent customers that have a good track record with the Group. Based on past experience, the directors are of the opinion that no provision for impairment is necessary in respect of these balances as there has not been a significant change in credit quality and the balances are still considered fully recoverable. The Group does not hold any collateral or other credit enhancements over these balances.

22. Prepayments, Deposits and Other Receivables

	Note	2016 RMB'000	2015 RMB'000
Non-current			
Prepayment for a land parcel		**–**	46,300
Prepayment for an equity investment		**–**	4,800
		–	51,100
Current			
Deposits and other receivables		**50,072**	54,134
Prepayments		**6,460**	6,230
Current portion of prepaid land lease payment	*14*	**962**	–
		57,494	60,364
		57,494	111,464

None of the above assets is either past due or impaired. The financial assets included in the above balances relate to receivables for which there was no recent history of default.

23. Cash and Cash Equivalents, Time Deposits and Pledged Deposits

	Note	**2016 RMB'000**	2015 RMB'000
Cash and bank balances		**120,252**	548,875
Time deposits with original maturity of over three months when acquired		**521,920**	145,572
		642,172	694,447
Less:			
Time deposits		**(500,000)**	–
Pledged time deposits:			
Pledged for bank acceptance bills		**(21,920)**	–
Pledged for short term bank loans	*26*	**–**	(145,572)
Cash and cash equivalents		**120,252**	548,875

At the end of the reporting period, the cash and bank balances and time deposits of the Group denominated in RMB amounted to RMB619,563,000 (2015: RMB684,955,000), which is not freely convertible into other currencies. However, under Mainland China's Foreign Exchange Control Regulations and Administration of Settlement, Sale and Payment of Foreign Exchange Regulations, the Group is permitted to exchange RMB for other currencies through banks authorised to conduct foreign exchange business.

Cash at banks earns interest at floating rates based on daily bank deposit rates. Time deposits are made for varying periods between one year and two years depending on the cash requirements of the Group, and earn interest at the respective time deposit rates. The bank balances and pledged deposits are deposited with creditworthy banks with no recent history of default.

24. Trade Payables

An ageing analysis of the trade payables as at the end of the reporting year, based on the invoice date, is as follows:

	2016 RMB'000	2015 RMB'000
Within 1 month	**3,978**	2,566
1 to 3 months	**3,254**	7,355
3 to 6 months	**3,096**	5,833
6 months to 1 year	**598**	627
Over 1 year	**2,042**	1,195
	12,968	17,576

Trade payables of the Group are non-interest-bearing and are normally settled on terms of three months, extending to longer periods with those long standing suppliers. The carrying amounts of the trade payables approximate their fair values.

25. Other Payables and Accruals

	2016 RMB'000	2015 RMB'000
Other payables	**27,057**	31,669
Advances from customers	**4,702**	5,107
Deferred income	**2,000**	2,000
Accruals	**1,790**	1,649
	35,549	40,425

26. Interest-Bearing Bank and Other Borrowings

	2016			2015		
	Effective interest rate (%)	**Maturity**	**RMB'000**	Effective interest rate (%)	Maturity	RMB'000
Current						
Bank loan — secured	**2.35–5.3**	**2017**	**73,900**	3.78–3.87	2016	40,000
Bank loans — secured	**2.55–5.22**	**On demand**	**129,577**	2.68	On demand	98,328
Bank loan — unsecured	**2.54–2.59**	**On demand**	**8,578**	2.00–2.74	On demand	36,661
Bank loans — unsecured	**5.66**	**2017**	**78,000**	1.89–6.30	2016	161,987
Other loan — unsecured			**–**	3.00	2016	12,791
Finance lease payables (note 27)	**4.4**	**2017**	**127**			–
Corporate bonds (note c)	**8.91-10.28**	**2017**	**5,681**			–
			295,863			349,767
Non-current						
Finance lease payables (note 27)	**4.4**	**2018-2020**	**380**			–
Corporate bonds (note c)	**10.33-12.85**	**2018-2024**	**50,530**			–
			50,910			–
			346,773			349,767

	2016 RMB'000	2015 RMB'000
Analysed into:		
Bank loans repayable:		
Within one year or on demand	**290,055**	336,976
Other loan repayable:		
Within one year	**5,808**	12,791
In the second year	**6,904**	–
In the third to fifth years, inclusive	**27,450**	–
Beyond five years	**16,556**	–
	56,718	12,791
	346,773	349,767

26. Interest-Bearing Bank and Other Borrowings *(continued)*

Notes:

(a) Certain of the Group's bank loans are secured by:

(i) the pledge of certain of the Group's time deposits amounting to RMB21,920,000 (2015: RMB145,572,000); and

(ii) the pledge of the Group's buildings, which had an aggregate carrying value at the end of the reporting period of approximately RMB262,800,000 (2015: Nil).

(b) As at 31 December 2016, the Group's bank and other borrowings were denominated in Hong Kong dollars, Renminbi, Euro and United States dollars with aggregate amounts of RMB31,667,000 (2015: RMB149,700,000), RMB248,900,000 (2015: RMB62,029,000), RMB9,488,000 (2015: RMB17,852,000) and Nil (2015:120,186,000) , respectively.

(c) **Corporate bonds**

During the year ended 2016, the Company issued unlisted corporate bonds in Hong Kong with an aggregate principal amount of HK$77,300,000 (equivalent to approximately RMB66,153,000) which will mature on the date immediately following 12 months to 96 months after the first issue date unless earlier redemption requested by the Company. The bonds bear coupon rate ranging from 4.00% to 6.75% per annum, payable semi-annually in arrears.

The corporate bonds recognised in the consolidated financial statements are calculated as follows:

	2016 RMB'000
Carrying amount as at 1 January	–
Issuance during the year	66,153
Transaction costs	(13,198)
Interest charged (note 7)	2,313
Interest payable included in other payables and accruals	(1,489)
Exchange realignment	2,432
Carrying amount as at 31 December	56,211
Portion classified as current liabilities	5,681
Non-current portion	50,530

The effective interest rates on the Group's corporate bonds range from 8.91% to 12.85% per annum.

(d) As at 31 December 2016, the Group was not in compliance with certain financial loan covenants and the respective cash loans would become callable on demand. The outstanding loan balance amounting to approximately RMB119,899,000 (being the sum of HKD25,600,000 and RMB97,000,000) was recorded as current liabilities as at 31December 2016 (2015: Nil). As at the date of this report, the Group had yet to obtain waivers for the above non-compliance and no demand for immediate repayment was made in respect of the relevant cash loans.

27. Finance Lease Payables

The Group leased one motor vehicle in 2016 and the lease was classified as finance leases and has remaining lease terms of four years.

At 31 December 2016, the total future minimum lease payments under finance lease and their present values were as follows:

Group	Minimum lease payments 2016 RMB'000	Present value of minimum lease payments 2016 RMB'000
Amounts payable:		
Within one year	**144**	**127**
In the second year	**139**	**127**
In the third to fifth years, inclusive	**263**	**253**
Total minimum finance lease payments	**546**	**507**
Future finance charges	**(39)**	
Total net finance lease payables	**507**	
Portion classified as current liabilities (note 26)	**127**	
Non-current portion (note 26)	**380**	

28. Deferred Tax

The movements in deferred tax assets during the year are as follows:

Deferred tax assets

	Impairment provision RMB'000	Unrealised profit on inventories RMB'000	Accrued expenses RMB'000	Total RMB'000
At 1 January 2015	7,665	776	2,342	10,783
Deferred tax credited/(charged) to the statement of profit or loss during the year (note 10)	7,608	1,204	(1,650)	7,162
At 31 December 2015 and at 1 January 2016	**15,273**	**1,980**	**692**	**17,945**
Deferred tax credited/(charged) to the statement of profit or loss during the year (note 10)	**–**	**(609)**	**821**	**212**
At 31 December 2016	**15,273**	**1,371**	**1,513**	**18,157**

The Group has tax losses arising in Hong Kong, Macau and Mainland China of RMB216,816,000 (2015: RMB145,334,000) that are available for offsetting against future taxable profits of the companies in which the losses arose. Deferred tax assets have not been recognised in respect of these losses as they have arisen in subsidiaries that have been loss-making for some time and it is not considered probable that taxable profits will be available against which the tax losses can be utilised.

Pursuant to the Corporate Income Tax Law of the PRC, a 10% withholding tax is levied on dividends declared to foreign investors from the foreign investment enterprises registered in Mainland China. The requirement is effective from 1 January 2008 and applies to earnings after 31 December 2007.

At 31 December 2016, no deferred tax liability has been recognised for withholding taxes that would be payable on the unremitted earnings that are subject to withholding taxes of the Group's subsidiaries registered in Mainland China. In the opinion of the directors, it is not probable that these subsidiaries will distribute such earnings in the foreseeable future. As at 31 December 2016, the Group has not recognised deferred tax liabilities of RMB58,200,000 (31 December 2015: RMB70,400,000) in respect of temporary differences relating to the unremitted profits of subsidiaries amounting to RMB582,000,000 (31 December (2015: RMB704,000,000).

There are no income tax consequences attaching to the payment of dividends by the Company to its shareholders.

29. Share Capital

Shares

	2016 RMB'000	2015 RMB'000
Issued and fully paid:		
948,825,763 (2015: 948,825,763) ordinary shares of HK$0.001 each	**829**	829

There was no movement in share capital during the year.

30. Share Option Scheme

The Company operates a share option scheme (the "Scheme") for the purpose of providing incentives and rewards to eligible participants who contribute to the success of the Group's operations. Eligible participants of the Scheme include any employee, management member or director of the Company, or any other eligible participants upon the terms set out in the Scheme. The Scheme was adopted pursuant to the resolutions of all the shareholders passed on 8 October 2010 (the "Adoption Date") and shall be valid and effective for a period of 10 years commencing on the Adoption Date. Since Adoption Date, no options have been granted pursuant to the Scheme.

At the extraordinary general meeting held on 6 January 2014 (the "New Adoption Date"), the Scheme was terminated and a new share option scheme (the "New Share Option Scheme") was adopted and approved by the shareholders of the Company. The New Share Option Scheme shall be valid and effective for a period of 10 years commencing from the New Adoption Date up to 5 January 2024.

The Board may, at its absolute discretion, grant options to any full-time or part-time (with weekly working hours of 10 hours or above) employees of any member of the Group, any advisor or consultant, any providers of goods and/or services to the Group, director (whether executive, non-executive or independent non-executive director) of any member of the Group and any other persons that the board of directors may think fit upon the terms set out in the New Share Option Scheme. The purpose of the New Share Option Scheme is to attract, retain and motivate talented personnel to strive for future developments and expansion of the Group, and to provide the Company with a flexible means of giving incentive to, remunerating, compensating and/or providing benefits to them.

The total number of the shares which may be issued upon exercise of all options to be granted under the New Share Option Scheme and any schemes of the Group shall not in aggregate exceed 10% of the total number of shares in issue as at the New Adoption Date (i.e. 94,882,576 shares), unless the Company obtains an approval from its shareholders and must not exceed 30% of the total number of shares in issue from time to time. The maximum number of shares issued and to be issued upon exercise of the share options granted to any eligible participant in the New Share Option Scheme in any period of 12 consecutive months shall not exceed 1% of the shares of the Company in issue from time to time, unless an approval of its shareholders is obtained.

30. Share Option Scheme *(continued)*

On 23 January 2015, the Company granted share options to certain key management personnel and employees under the New Share Option Scheme adopted on 6 January 2014. The principal terms of the grant of share options under the New Share Option Scheme are as follows:

(a) the options shall entitle the grantees to subscribe for new shares upon the exercise of the options at an exercise price of HK$0.78 per Share;

(b) among the options granted, a total of 2,700,000 options were granted to the independent non-executive directors of the Company which vested on 30 April 2015, one of which has been retired on 7 June 2016;

(c) the options granted to the executive Directors and the employees shall vest on 30 April 2016, 2017 and 2018 subject to the fulfilment of the performance targets that a 15% increase in net profit for the financial years ended/ending 31 December 2015, 31 December 2016 and 31 December 2017, respectively, when compared to their immediate preceding financial year excluding all exceptional items in the consolidated statement of profit or loss. If the target net profit cannot be achieved in a particular financial year, only 50% of the options granted to the directors and the employees shall be vested and the remaining 50% of the options granted to them for that particular year shall lapse automatically; and

(d) there is an exercise period of five years commencing from the relevant vesting date.

The amount payable on application or acceptance of the option shall be HK$1.00 and shall be paid within a period of 28 days from the date of offer or such other period as the Board may specify. Unless otherwise determined by the Board and specified in the other letter, there is no minimum period for which an option must be held before it can be exercised and no performance target needs to be achieved by the grantee before the options can be exercised.

The share options under the New Share Option Scheme do not confer rights on the holders to dividend or to vote at shareholders' meeting.

30. Share Option Scheme *(continued)*

The fair value of the share options under the New Share Option Scheme was estimated at approximately RMB12,474,000 as at the date of grant, using a binomial pricing model, taking into account the terms and conditions upon which the share options were granted. The estimated dividend yield and expected volatility are Nil and 44%, respectively. The other inputs to the model used are as follows:

	First batch	Second batch	Third batch	Fourth batch
Risk-free interest rate (%)	1.02%	1.17%	1.31%	1.35%
Expected life of options (years)	5.27	6.27	7.27	8.27

The expected volatility reflects the assumption that the historical volatility is indicative of future trends, which may also not necessarily be the actual outcome. The expected life of the options represents period from date of grant to expiry date of share options and is not necessarily indicative of the exercise patterns that may occur.

No other feature of the options granted was incorporated into the measurement of fair value.

The following share options were outstanding under the New Share Option Scheme during the years ended 31 December 2016 and 2015:

	2016		2015	
	Weighted average exercise price HK$ per share	**Number of options '000**	Weighted average exercise price HK$ per share	Number of options '000
At 1 January	**0.78**	**37,150**	0.78	52,900
Forfeited during the period	**0.78**	**(7,400)**	0.78	(15,750)
At 31 December	**0.78**	**29,750**	0.78	37,150

During the year ended 31 December 2016, no share options were exercised or cancelled under the New Share Option Scheme.

The exercise price and exercise periods of the share options outstanding under the New Share Option Scheme as at 31 December 2016 are as follows:

Number of options '000	**Exercise price** HK$ per share	**Exercise period**
2,700	0.78	30 April 2015 to 30 April 2020
7,450	0.78	30 April 2016 to 30 April 2021
6,800	0.78	30 April 2017 to 30 April 2022
12,800	0.78	30 April 2018 to 30 April 2023
29,750		

30. Share Option Scheme *(continued)*

The Group recognised a share option expense of RMB1,761,000 related to the share options under the New Share Option Scheme for the year ended 31 December 2016 (2015: RMB2,705,000).

At the end of the reporting period, the Company had 29,750,000 share options outstanding under the New Share Option Scheme. The exercise in full of the outstanding share options would, under the present capital structure of the Company, result in the issue of 29,750,000 additional ordinary shares of the Company and additional share capital of HKD30,000 (equivalent to RMB27,000) and share premium of HKD23,175,000 (equivalent to RMB20,730,000) (before the issue expenses).

At the date of approval of these consolidated financial statements, the Company had 29,750,000 share options outstanding under the New Share Option Scheme, which represented approximately 3.1% of the Company's shares in issue as at that date.

31. Share Award Plan

On 27 August 2013 (the "Effective Date"), the Board adopted a share award plan (the "Share Award Plan") in which any executive or employee of any member of the Group from time to time, but excluding a director of any member of the Group and any other connected person of the Company (the "Eligible Persons") will be entitled to participate. The purpose of the Share Award Plan is to recognise and reward contributions made by, and to encourage and incentivise sustained contribution of, the Eligible Persons to the growth and long term development of the Group. The Share Award Plan shall be valid and remain in force for a term of ten years commencing from the Effective Date.

The Share Award Plan committee (the "Committee") may, at any time and at its absolute discretion, make an award to any Eligible Person ("Selected Person") and determine the number of shares to be awarded to that person ("Awarded Shares") on such terms and subject to such vesting conditions, if any, as the Committee thinks fit.

The Committee (or any director so authorised by the Committee) may from time to time instruct the independent trustee (the "Trustee") to purchase shares on the Stock Exchange at such prices as the Committee (or any director so authorised by the Committee) considers appropriate, and such shares shall be held by the Trustee for the purposes of satisfying any future award(s) to be made by the Committee.

In any given financial year, the maximum number of shares to be purchased by the Trustee for the purpose of the Share Award Plan shall not exceed 5% of the total number of issued shares as at the beginning of such financial year. The total number of shares purchased for the award(s) made to each Selected Person in any 12-month period up to and including the date on which the award is made to a Selected Person (the "Award Date") shall not exceed 1% of the shares in issue as at the Award Date.

The Board resolved to pay HK$10,000,000 and HK$502,000 to the Trustee of the Share Award Plan in October 2013 and May 2016 respectively, so that the Trustee would then purchase and grant relevant shares to certain grantees under the Share Award Plan.

On 23 January 2015, the Committee resolved to grant share awards in respect of a total of 10,250,000 shares to 68 award grantees who were all eligible persons under the Share Award Plan and who were independent of the Company.

During the year ended 31 December 2016, 650,000 ordinary shares of the Company on the Stock Exchange were purchased for the Share Award Plan (2015: Nil).

31. Share Award Plan *(continued)*

Summary of particulars of the shares granted under the Share Award Plan during the year is as follows:

Date of grant	Number of outstanding Awarded Shares at 31 December 2015	Fair value RMB	Vesting date	Number of Awarded Shares Vested during the year	Outstanding Awarded Shares at 31 December 2016
23 January 2015	3,620,000	2,234,000	30 April 2016	3,620,000	–

The Group recognised a share award expense of RMB1,178,000 (2015:RMB4,004,000) during the year ended 2016.

32. Reserves

The amounts of the Group's reserves and the movements therein for the current and prior years are presented in the consolidated statement of changes in equity on page 66 of the financial statements.

(i) Merger reserve

The merger reserve represents the difference between the Company's share of the nominal value of the paid-up capital of the subsidiaries acquired and the Company's cost of acquisition of the subsidiaries under common control upon the reorganisation of the Group.

(ii) Statutory surplus reserve

Transfers from retained profits to the statutory surplus reserve were made in accordance with the relevant Mainland China's rules and regulations and the articles of association of the Company's subsidiaries registered in Mainland China, and were approved by the respective boards of directors, which are restricted to use.

(iii) Acquisition reserve

Goodwill arising on the acquisition of non-controlling interests was recognised as acquisition reserve.

(iv) Capital redemption reserve

The capital redemption reserve represents the nominal value of the shares of the Company which was transferred from the Company's retained earning upon repurchase and cancellation of shares by the Company.

33. Pledge of Assets

As at 31 December 2016, deposits of RMB21,920,000 (2015: RMB145,572,000) and buildings of RMB262,800,000 (2015: Nil) were pledged as security for the bank borrowings of the Group. Details are included in notes 23 and 26, respectively, to the financial statements.

34. Operating Lease Arrangements

The Group leases certain of its office properties and stores under operating lease arrangements. Leases for properties and stores are negotiated for terms ranging from one to five years.

As at 31 December 2016, the Group had total future minimum lease payments under non-cancellable operating leases falling due as follows:

	2016 RMB'000	2015 RMB'000
Within one year	17,626	18,467
In the second to fifth years, inclusive	8,977	19,835
	26,603	38,302

35. Commitments

In addition to the operating lease commitments detailed in note 34 above, the Group had the following capital commitments at the end of the reporting period:

	2016 RMB'000	2015 RMB'000
Contracted, but not provided for:		
Leasehold improvements	–	81
Equity investment	59,200	11,200
	59,200	11,281

36. Related Party Transactions

Compensation of key management personnel of the Group:

	2016 RMB'000	2015 RMB'000
Salaries, allowances and benefits in kind	14,072	12,623
Pension scheme contributions	361	287
Equity-settled share option expense	1,302	1,641
Equity-settled share award expense	130	685
Total compensation paid to key management personnel	15,865	15,236

Further details of directors' emoluments are included in note 8 to the financial statements.

37. Financial Instruments by Category

The carrying amounts of each of the categories of financial instruments as at the end of the reporting period are as follows:

2016

Financial assets

	Loans and receivables RMB'000	Available-for-sale financial assets RMB'000	Total RMB'000
Available-for-sale investment	–	36,800	36,800
Trade receivables	86,888	–	86,888
Financial assets included in prepayments, deposits and other receivables	33,844	–	33,844
Time deposits	500,000	–	500,000
Pledged deposits	21,920	–	21,920
Cash and cash equivalents	120,252	–	120,252
	762,904	36,800	799,704

Financial liabilities

	Financial liabilities at amortised cost RMB'000
Trade and bills payables	12,968
Financial liabilities included in other payables and accruals	4,536
Interest-bearing bank and other borrowings	346,773
	364,277

37. Financial Instruments by Category *(continued)*

2015
Financial assets

	Loans and receivables RMB'000
Trade receivables	84,900
Financial assets included in prepayments, deposits and other receivables	36,195
Pledged deposits	145,572
Cash and cash equivalents	548,875
	815,542

Financial liabilities

	Financial liabilities at amortised cost RMB'000
Trade and bills payables	17,576
Financial liabilities included in other payables and accruals	4,703
Interest-bearing bank borrowings	349,767
	372,046

38. Fair Value and Fair Value Hierarchy of Financial Instruments

Management has assessed that the fair values of cash and cash equivalents, trade receivables, trade payables, pledged deposits, time deposits, financial assets included in prepayments, deposits and other receivables, financial liabilities included in other payables and accruals, and the current portion of interest-bearing bank and other borrowings approximate to their carrying amounts largely due to the short term maturities of these instruments.

39. Financial Risk Management Objectives and Policies

The Group's principal financial instruments comprise cash and cash equivalents, pledged deposits, time deposits, interest-bearing bank, finance lease and other borrowings. The main purpose of these financial instruments is to raise finance for the Group's operations. The Group has various other financial assets and liabilities such as trade receivables and trade payables, which arise directly from its operations.

The main risks arising from the Group's financial instruments are foreign currency risk, credit risk and liquidity risk. The Board reviews and agrees policies for managing each of these risks and they are summarised below.

Foreign currency risk

The Group has transactional currency exposures. These exposures mainly arise from sales or purchases by operating units in currencies other than the units' functional currencies and cash in banks of operating units denominated in currencies other than the units' functional currencies. Approximately 6% (2015: 4%) of the Group's sales were denominated in currencies other than the functional currencies of the operating units making the sale, whilst approximately 24% (2015: 31%) of purchases were denominated in currencies other than the functional currencies of the operating units making the purchase. Approximately 0.3% (2015: 0.2%) of the Group's bank balances were denominated in currencies other than the functional currencies of the operating units. The Group is exposed to the foreign currency risk mainly arising from changes in the exchange rate of HK$ against RMB. The Group has not hedged its foreign exchange rate risk based on the consideration that the foreign currency transactions are not significant to the Group.

The following table demonstrates the sensitivity at the end of the reporting period to a reasonably possible change in the HK$ exchange rate, with all other variables held constant, of the Group's loss before tax (due to changes in the fair value of monetary assets and liabilities) and the Group's equity.

	Increase/ (decrease) in foreign currency rate %	**Increase/ (decrease) in profit before tax** RMB'000	**Increase/ (decrease) in equity*** RMB'000
2016			
If RMB weakens against HK$	**5**	**(6)**	**(8)**
If RMB strengthens against HK$	**(5)**	**6**	**8**
2015			
If RMB weakens against HK$	5	(4)	(4)
If RMB strengthens against HK$	(5)	4	4

* Excluding retained profits

39. Financial Risk Management Objectives and Policies *(continued)*

Credit risk

There are no significant concentrations of credit risk within the Group as the Group's trade receivables are from diversified customers.

The credit risk of the Group's other financial assets, which mainly comprise cash and cash equivalents, time deposits, and other receivables, arises from default of the counterparty, with a maximum exposure equal to the carrying amounts of these financial assets.

Further quantitative data in respect of the Group's exposure to credit risk arising from trade and other receivables are disclosed in notes 21 and 22 to the financial statements.

Liquidity risk

The Group monitors its risk to a shortage of funds using a recurring liquidity planning tool. This tool considers the maturity of both its financial instruments and financial assets (e.g., trade receivables) and projected cash flows from operations. The Group's objective is to maintain a balance between continuity of funding and flexibility through the use of bank loans, finance lease and other interest-bearing loans, as appropriate.

The maturity profile of the Group's financial liabilities as at the end of the reporting period, based on the contractual undiscounted payments, is as follows:

2016

	On demand RMB'000	0 to 3 months RMB'000	3 months to 1 years RMB'000	2 to 5 years RMB'000	Total RMB'000
Trade payables	**476**	**12,492**	**–**	**–**	**12,968**
Financial liabilities included in other payables and accruals	**4,536**	**–**	**–**	**–**	**4,536**
Interest-bearing bank and other borrowings	**138,898**	**1,828**	**164,999**	**75,919**	**381,644**
	143,910	**14,320**	**164,999**	**75,919**	**399,148**

2015

	On demand RMB'000	0 to 3 months RMB'000	3 months to 1 years RMB'000	2 to 5 years RMB'000	Total RMB'000
Trade payables	11,280	6,296	–	–	17,576
Financial liabilities included in other payables and accruals	4,703	–	–	–	4,703
Interest-bearing bank and other borrowings	137,241	65,263	154,993	–	357,497
	153,224	71,559	154,993	–	379,776

39. Financial Risk Management Objectives and Policies *(continued)*

Capital management

The primary objectives of the Group's capital management are to safeguard the Group's ability to continue as a going concern and to maintain healthy capital ratios in order to support its business and maximise shareholders' value.

The Group manages its capital structure and makes adjustments to it in light of changes in economic conditions and the risk characteristics of the underlying assets. To maintain or adjust the capital structure, the Group may adjust the dividend payment to shareholders, return capital to shareholders or issue new shares. The Group is not subject to any externally imposed capital requirements. No changes were made in the objectives, policies or processes for managing capital during the years ended 31 December 2016 and 2015.

The Group monitors capital using a gearing ratio, which is net debt divided by the capital plus net debt. The Group's policy is to maintain the gearing ratio at a reasonable level. Net debt includes interest-bearing bank and other borrowings, trade payables, other payables and accruals and less cash and cash equivalents. Capital represents equity attributable to ordinary equity holders of the Company. The gearing ratios as at the end of the reporting periods were as follows:

	2016 **RMB'000**	2015 RMB'000
Interest-bearing bank and other borrowings	**346,773**	349,767
Trade payables	**12,968**	17,576
Other payables and accruals	**35,549**	40,425
Less: Cash and cash equivalents	**(120,252)**	(548,875)
Net debt	**275,038**	(141,107)
Equity attributable to ordinary equity holders of the Company	**1,132,696**	1,233,154
Capital and net debt	**1,407,734**	1,092,047
Gearing ratio	**20%**	N/A

40. Statement of Financial Position of the Company

Information about the statement of financial position of the Company at the end of the reporting period is as follows:

	2016 RMB'000	2015 RMB'000
NON-CURRENT ASSETS		
Investments in subsidiaries	**–**	–
Total non-current assets	**–**	–
CURRENT ASSETS		
Due from subsidiaries	**837,129**	744,285
Cash and cash equivalents	**7,778**	121
Total current assets	**844,907**	744,406
CURRENT LIABILITIES		
Other payables and accruals	**4,260**	2,550
Other borrowing	**5,681**	–
Due to subsidiaries	**202,713**	185,410
Total current liabilities	**212,654**	187,960
NET CURRENT ASSETS	**632,253**	556,446
TOTAL ASSETS LESS CURRENT LIABILITIES	**632,253**	556,446
NON CURRENT LIABILITIES		
Other borrowing	**50,530**	–
Total non current liabilities	**50,530**	–
Net assets	**581,723**	556,446
EQUITY		
Issued capital	**829**	829
Reserves (note)	**580,894**	555,617
Total equity	**581,723**	556,446

CHAN Yuk Ming
Director

CHEN Yunan
Director

40. Statement of Financial Position of the Company *(continued)*

Note:

A summary of the Company's reserves is as follows:

	Share premium account RMB'000	Exchange fluctuation reserve RMB'000	Share option reserve RMB'000	Share award reserve RMB'000	Shares held for the Share Award Scheme RMB'000	Accumulated losses RMB'000	Total RMB'000
At 1 January 2015	671,612	(69,859)	–	–	(7,892)	(54,333)	539,528
Total comprehensive income for the year	–	25,015	–	–	–	(15,635)	9,380
Equity-settled share option scheme	–	–	2,705	–	–	–	2,705
Equity-settled Share Award Plan	–	–	–	(725)	4,729	–	4,004
At 31 December 2015	671,612	(44,844)	2,705	(725)	(3,163)	(69,968)	555,617
Total comprehensive income for the year	–	36,921	–	–	–	(14,170)	22,751
Share purchase for the Share Award Plan	–	–	–	–	(413)	–	(413)
Equity-settled share option scheme	–	–	1,761	–	–	–	1,761
Equity-settled Share Award Plan	–	–	–	(2,372)	3,550	–	1,178
At 31 December 2016	671,612	(7,923)	4,466	(3,097)	(26)	(84,138)	580,894

41. Approval of the Financial Statements

The financial statements were approved and authorised for issue by the Board on 30 March 2017.

FIVE YEAR FINANCIAL SUMMARY

A summary of the results and of the assets and liabilities of the Group for the last five financial years, as extracted from the published audited financial statements is set out below:

	Year ended 31 December				
	2016	2015	2014	2013	2012
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
RESULTS					
REVENUE	**421,839**	451,565	548,328	693,617	749,101
Cost of sales	**(183,135)**	(152,131)	(169,191)	(232,130)	(244,681)
Gross profit	**238,704**	299,434	379,137	461,487	504,420
Other income and gains	**35,477**	17,230	17,284	20,151	37,376
Selling and distribution expenses	**(256,102)**	(274,864)	(267,662)	(307,877)	(275,129)
Administrative expenses	**(64,596)**	(72,612)	(60,601)	(48,789)	(44,953)
Other expenses	**(18,447)**	(30,920)	(15,548)	(6,318)	(6,226)
Impairment of an available-for-sale investment	**–**	–	(50,502)	–	–
Finance costs	**(14,668)**	(16,811)	(17,598)	(8,601)	(2,196)
PROFIT/(LOSS) BEFORE TAX	**(79,632)**	(78,543)	(15,490)	110,053	213,292
Income tax credit/(expense)	**(777)**	2,968	(18,295)	(33,214)	(58,040)
PROFIT/(LOSS) FOR THE YEAR	**(80,409)**	(75,575)	(33,785)	76,839	155,252
Attributable to:					
Ordinary equity holders of the Company	**(80,409)**	(75,575)	(33,785)	76,839	155,252

ASSETS, LIABILITIES AND EQUITY

	As at 31 December				
	2016	2015	2014	2013	2012
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
TOTAL ASSETS	**1,528,554**	1,642,319	1,872,023	1,875,562	1,724,608
TOTAL LIABILITIES	**(395,858)**	(409,165)	(555,996)	(507,301)	(299,654)
TOTAL EQUITY	**1,132,696**	1,233,154	1,316,027	1,368,261	1,424,954