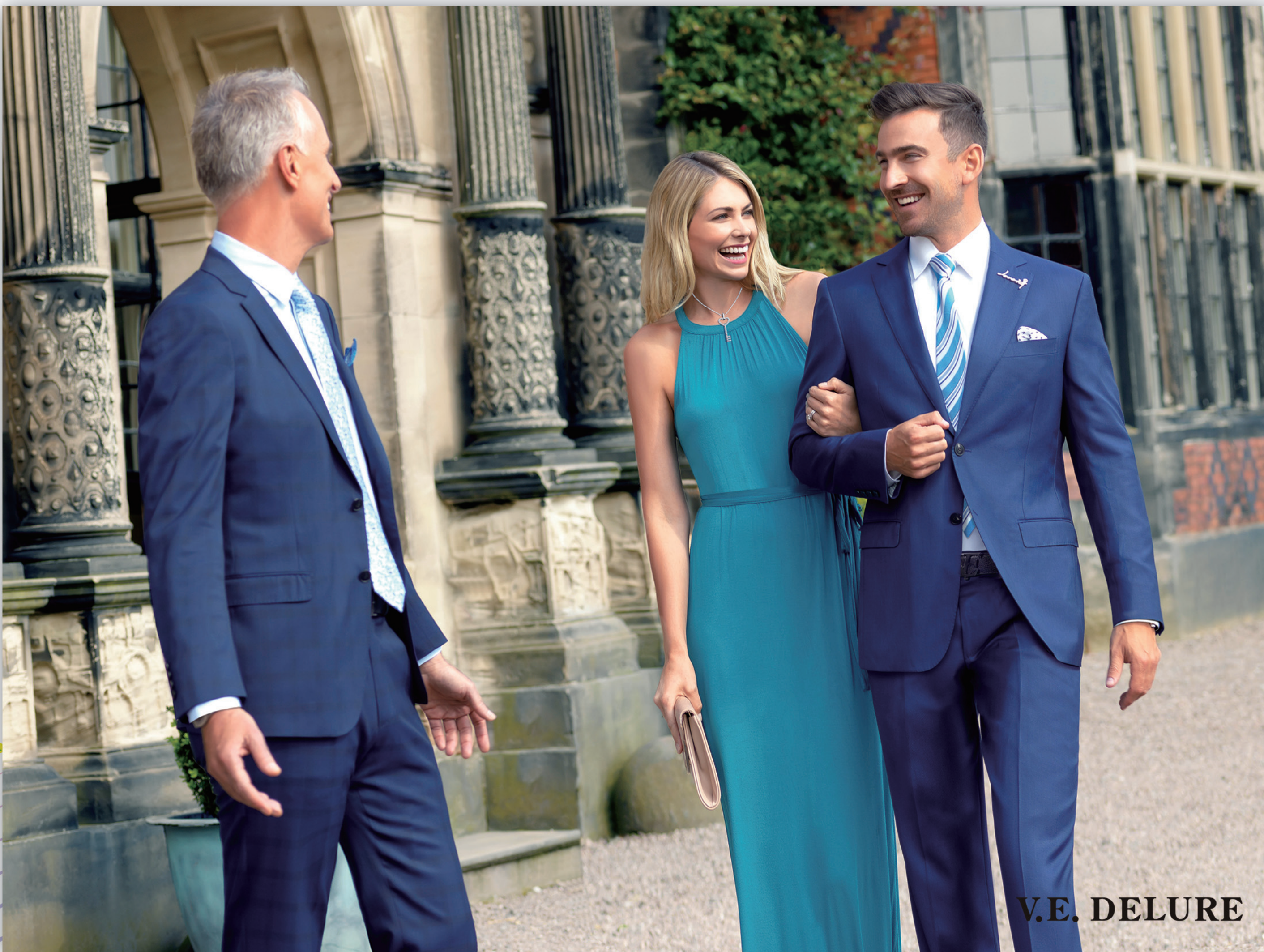
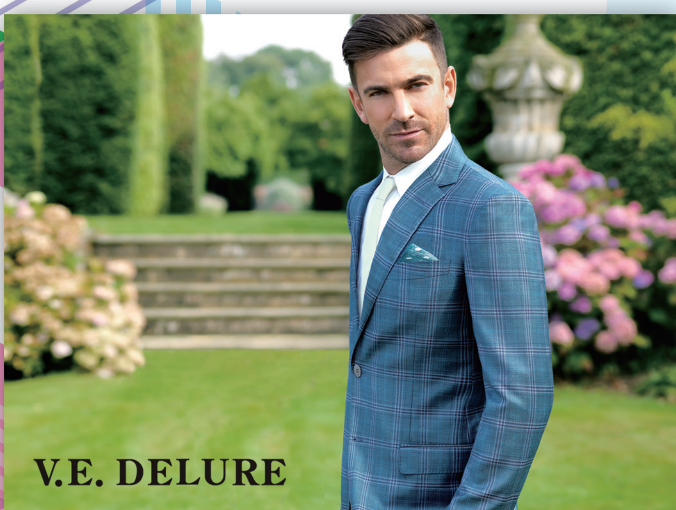
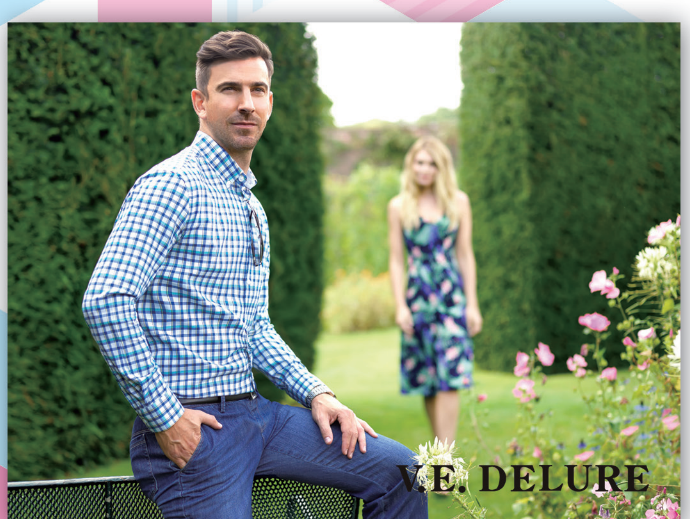
Evergreen International Holdings Limited
長興國際(集團)控股有限公司
(Incorporated in the Cayman Islands with limited liabilty)
Stock Code: 238

2017
ANNUAL REPORT







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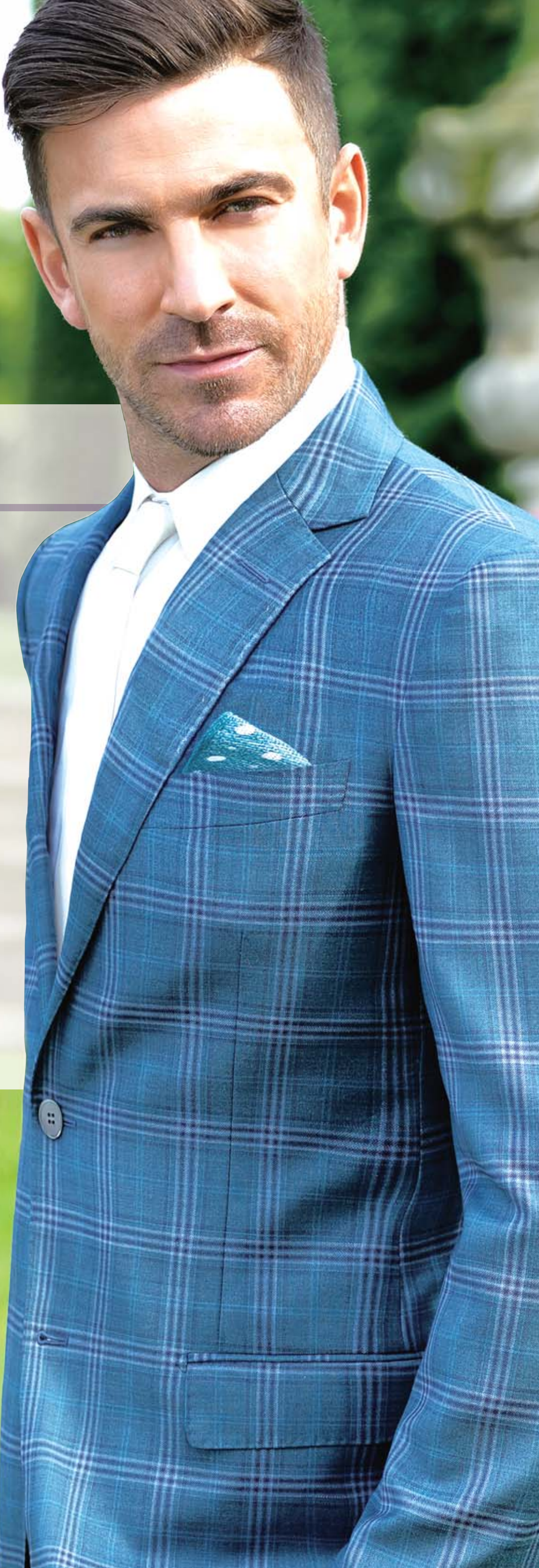


This Annual Report is printed on environmentally friendly paper

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

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*)
Mr. Fong Wo, Felix
Mr. Cheng King Hoi, Andrew

Remuneration Committee

Mr. Cheng King Hoi, Andrew (*Chairman*)
Mr. Fong Wo, Felix
Mr. Ng Wing Fai

Nomination Committee

Mr. Fong Wo, Felix (*Chairman*)
Mr. Cheng King Hoi, Andrew
Mr. Ng Wing Fai

Share Award Plan Committee

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

Registered Office

P.O. 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
P.O. 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

MinterEllison

Investor Relations

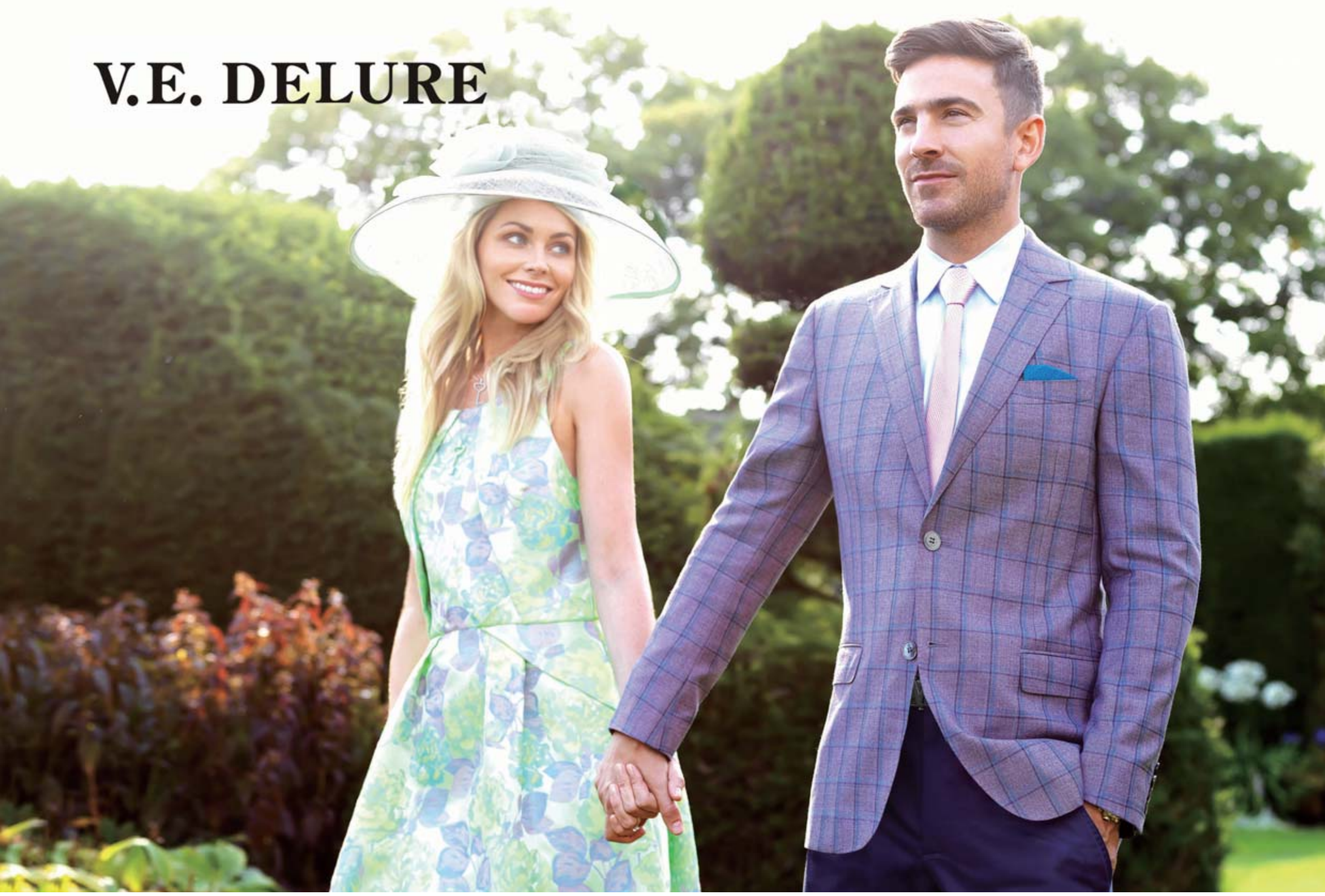
Investor Connect Advisory Ltd.

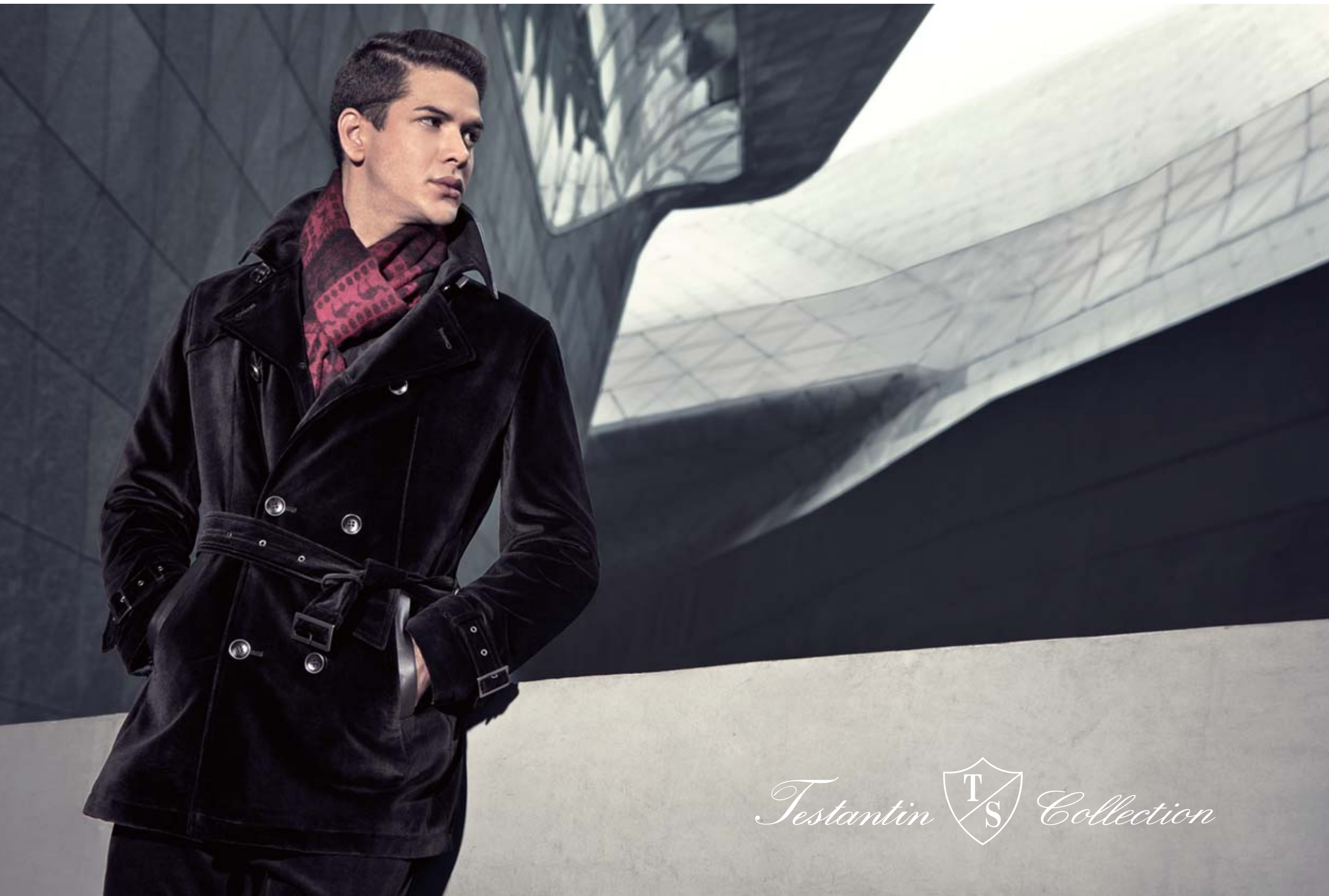
Stock Code

00238.HK

Company's Website

www.evergreen-intl.com


V.E. DELURE


Testantin
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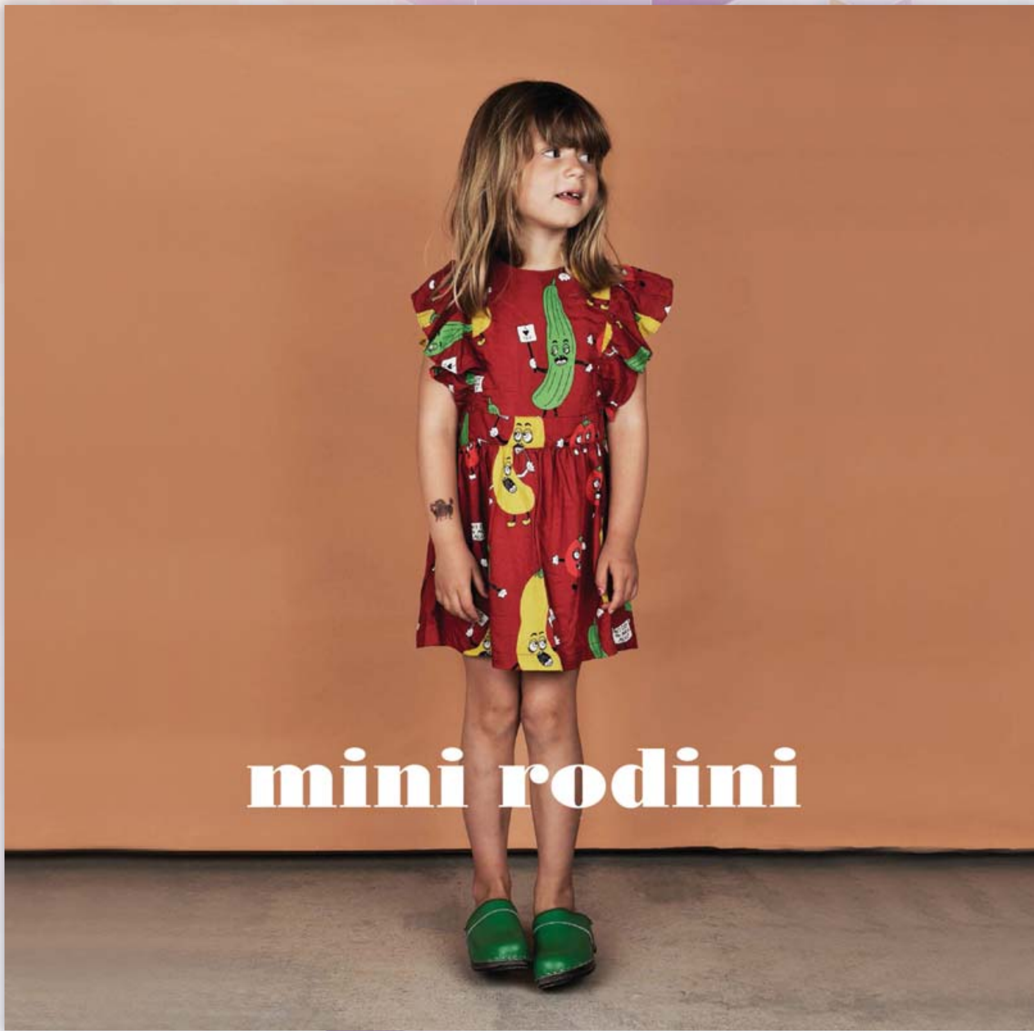
Collection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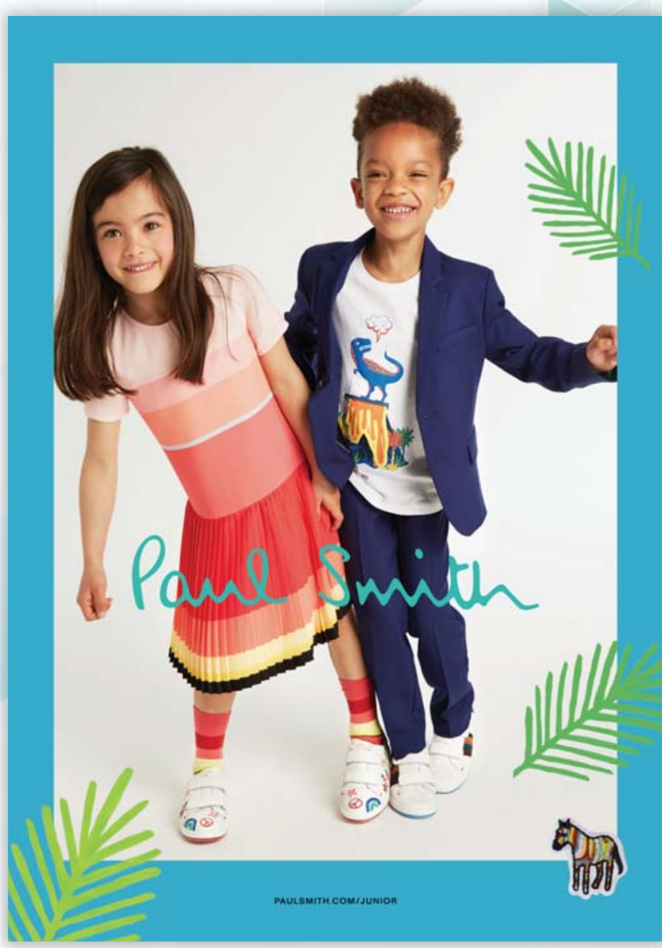
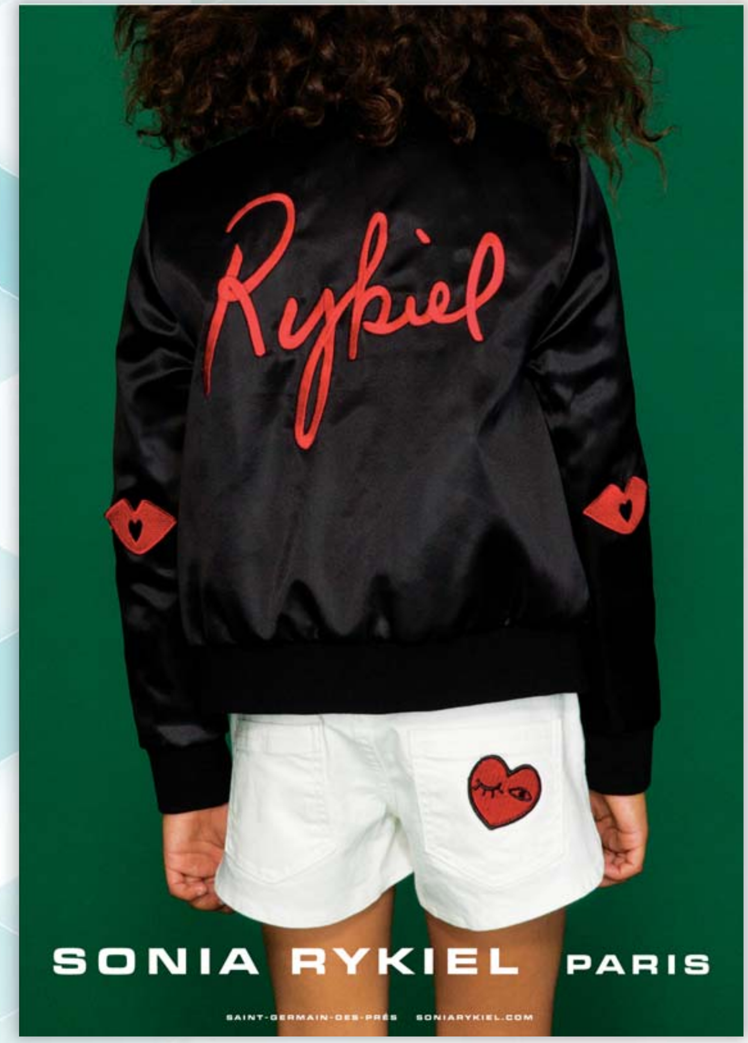

Paul Smith
PAULSMITH.COM/JUNIOR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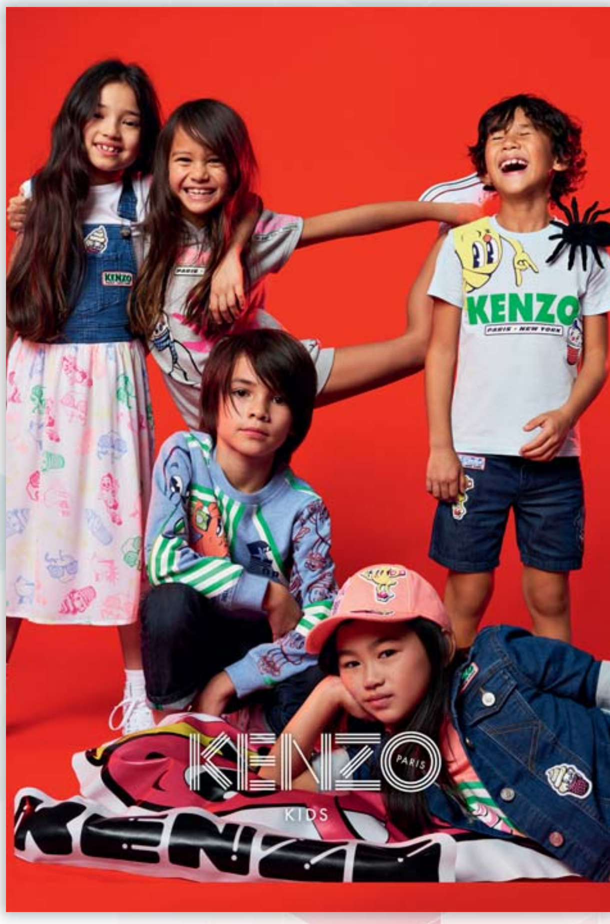
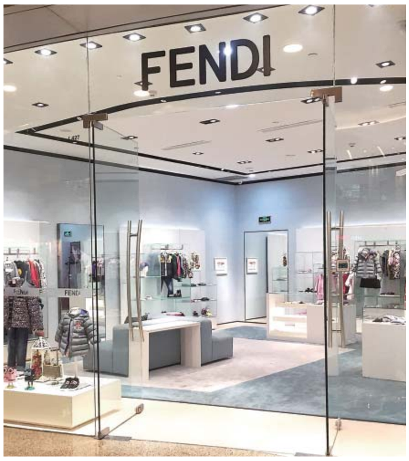
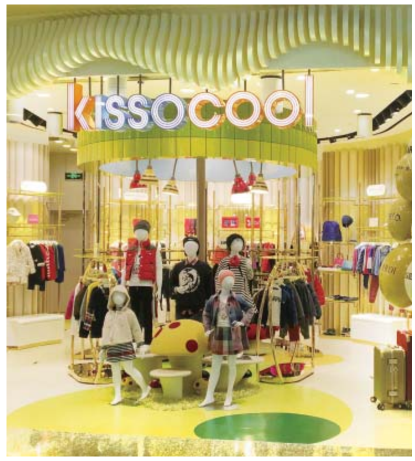
SAINT-GERMAIN-DES-PRÉS SONIARYKIEL.COM


KENZO
PARIS
KIDS

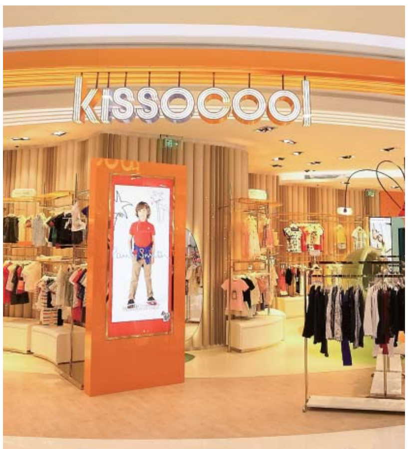
EVERGREEN CHILDREN'S WEAR AND ACCESSORIES SHOPS

Hangzhou MixCity

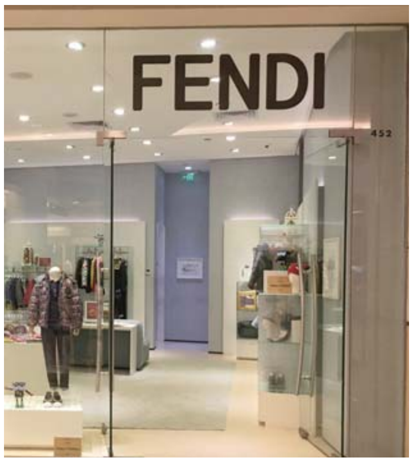




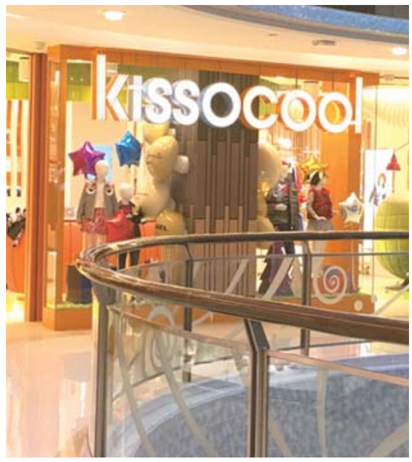
Qingdao Hisense Plaza



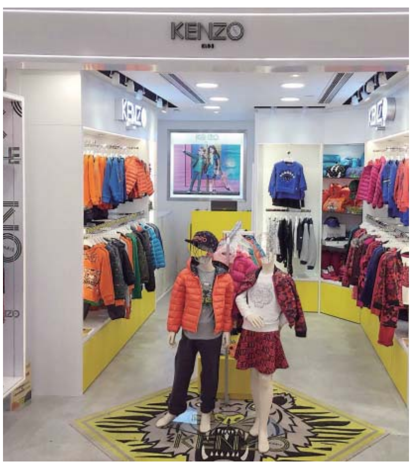
Shenzhen MixCity

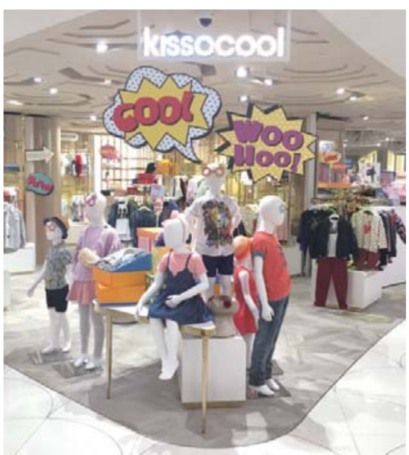


Guangzhou La Perle



Hong Kong Sogo, Causeway Bay





Hong Kong Emax

FINANCIAL HIGHLIGHTS

For the year ended 31 December

	2017 RMB'million	2016 RMB'million	% change
Revenue	**335.5**	421.8	–20.5%
Gross profit	**206.8**	238.7	–13.4%
Loss attributable to ordinary equity holders of the Company	**(139.0)**	(80.4)	72.9%
Basic and diluted loss per share (RMB cents) *(Note 1)*	**(14.6)**	(8.5)	71.8%
Gross profit margin	**61.6%**	56.6%	
Net loss margin	**(41.4)%**	(19.1)%	
Effective tax rate	**(8.4)%**	(1.0)%	
Inventory turnover days *(Note 2)*	**499**	455	
Trade receivables turnover days *(Note 3)*	**91**	75	
Trade payables turnover days *(Note 4)*	**43**	31	

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 2017.

In 2017, the global economy continued to be complicated and volatile. In the People's Republic of China (the "PRC", "Mainland China" or "China"), according to the National Bureau of Statistics of China, the growth rate of gross domestic product ("GDP") of 2017 grew by 6.9%, reversing a downward growth trend for the first time since 2010, well above the government annual target of around 6.5%. The total retail sales of consumer goods realised in urban area and rural area in 2017 grew at a rate of 10% and 11.8%, respectively, as compared to that of the previous year.

However, the operating environment of the retail sector, in particular the premium menswear industry, remained tough and sluggish in 2017. The premium menswear industry is facing intense competition. Due to the vast development of e-Commerce in China, more customers have switched their shopping behavior from traditional retail stores to online shopping. In 2017, the retail sales of apparel shoes, hats and knitwear amounted to RMB1.5 trillion, an increase of 7.8% over the same period of last year, an increase of 0.8 percentage points from the previous year and the first increase in seven years.

For the year ended 31 December 2017, the revenue of the Group decreased by 20.5% to RMB335,469,000. Overall gross profit margin increased from 56.6% to 61.6% for the year ended 31 December 2017 largely due to the implementation of various cost-saving measures and the closure of underperforming menswear stores and other rationalisation processes. The Group recorded a loss attributable to ordinary equity holders of the Company of RMB138,978,000 for the year ended 31 December 2017 (2016: a loss of RMB80,409,000). The loss was mainly attributable to the decrease in sales which led to a reduction in gross profit, foreign exchange loss, an increase in non-cash write-down of inventory provision for children's wear and an increase in tax expense due to the payment of withholding tax for the distribution of interim dividend in 2017.

As at 31 December 2017, the Group had a total of 151 menswear stores covering 26 provinces and autonomous regions, covering 90 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 20 new retail stores for menswear business in 2018, of which approximately 15 are self-operated stores and 5 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 had a portfolio of 10 international fashion brands of high-end children's wear and accessories products in Hong Kong and China. As at the date of this report, the Group had 4 retail stores and 6 ***Kissocool*** located in Hong Kong 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 industry 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 accessory 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 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, 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. As such, 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 brand portfolio and upgrading our ERP system and administrative support, in order to achieve a healthy and sustainable growth 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 our employees, shareholders, distributors, customers and suppliers of the Group for their confidence and continuous support to the Group.

Chan Yuk Ming
Chairman

Hong Kong, 27 March 2018

Market Review

In 2017, the global economy continued to be complicated and volatile. According to the National Bureau of Statistics of China, the growth rate of gross domestic product ("GDP") of 2017 grew by 6.9%, reversing a downward growth trend for the first time since 2010, well above the government annual target of around 6.5%. The total retail sales of consumer goods in China amounted to RMB36.6 trillion, representing an increase of 10.2% compared with that of 2016. However, the growth rate was 0.2 percentage point lower than that of the previous year. The total retail sales of consumer goods realised in urban area amounted to RMB31.4 trillion, representing an increase of 10%, which was 0.4 percentage point lower than that of the previous year. Moreover, the total sales of garments, footwear, hats and knitwear amounted to RMB1.5 trillion, representing an increase of 7.8%, which was 0.8 percentage points higher than the increase in the previous year.

However, the operating environment of the retail sector, in particular the premium menswear industry, remained tough and sluggish in 2017. The premium menswear industry is facing intense competition. Due to the vast development of e-Commerce in China, more customers have switched their shopping behavior from traditional retail stores to online shopping. This has adversely affected our performance especially in the department stores. In view of the challenging economic and market environment, the Group continued to adjust its strategies in response to the changes in the market in order to enhance the demand from customers who purchased for their own use. During the year, the Group continued to invest resources in online retail platform, refining marketing strategy in brand building, reinforcing customer loyalty by organising marketing events, consolidating the network of self-operated retail stores and closing underperforming retail stores. We also organised various training to our staff and strived to improve operational efficiency and business infrastructure. Such efforts were aimed at maintaining the Group's financial position at a healthy level to achieve a sustainable development of the Group in the long run. On the other hand, the Group had been actively looking for other investment opportunities so as to diversify its income and returns.

Financial Review

During the year ended 31 December 2017, the Group recorded an aggregate turnover of approximately RMB335,469,000 (2016: RMB421,839,000), representing a decrease of approximately 20.5% compared with that of the previous year. Gross profit decreased from RMB238,704,000 for the year ended 31 December 2016 to RMB206,805,000 for the year ended 31 December 2017, representing a decrease of about 13.4%. Gross profit margin increased from 56.6% for the year ended 31 December 2016 to 61.6% for the year ended 31 December 2017. The Group recorded a loss attributable to ordinary equity holders of the Company of RMB138,978,000 for the year ended 31 December 2017 (2016: a loss of RMB80,409,000) and net loss margin for the year ended 31 December 2017 of 41.4% (2016: net loss margin of 19.1%). The increase in the loss attributable to ordinary equity holders of the Company is mainly attributable to (i) a decrease in sales which led to a reduction in gross profit; (ii) foreign exchange loss; (iii) an increase in non-cash write-down of inventory provision for children's wear; and (iv) an increase in tax expense due to the payment of withholding tax for the distribution of interim dividend in 2017.

Turnover

	2017		2016		Change
	RMB'000	% of turnover	RMB'000	% of turnover	%
Proprietary brands					
— Menswear					
Self-operated stores	204,234	60.9%	270,029	64.0%	-24.4%
Distributors	43,353	12.9%	82,439	19.5%	-47.4%
	247,587	73.8%	352,468	83.5%	-29.8%
Licensed brands	87,882	26.2%	69,371	16.5%	26.7%
	335,469		421,839		-20.5%

The total turnover of the Group for the year ended 31 December 2017 decreased by 20.5% to approximately RMB335,469,000 (2016: RMB421,839,000). The decrease in turnover was mainly due to the decrease in sales of menswear as a result of the close-down of underperforming stores, amidst the overall weak and sluggish retail market.

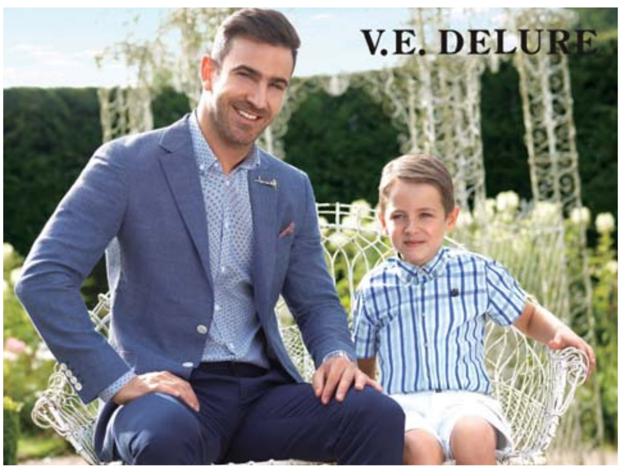
Turnover of the Group for the year ended 31 December 2017 comprised sales from self-operated stores of RMB204,234,000 (2016: RMB270,029,000), sales to distributors of RMB43,353,000 (2016: RMB82,439,000), sales from the licensed brand business of RMB87,882,000 (2016: RMB69,371,000), including sales from children's wear and accessories business of RMB44,429,000 (2016: RMB38,664,000).

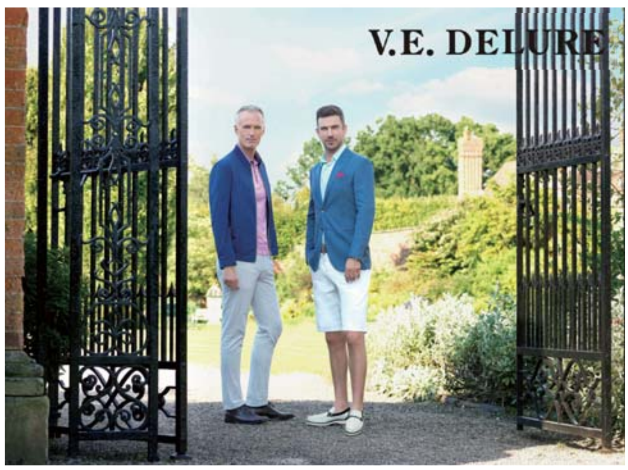
The aggregate sales from self-operated stores for the year ended 31 December 2017 decreased by 24.4% compared with that of the previous year, and accounted for 60.9% (2016: 64.0%) of the total turnover under the current challenging retail environment. The aggregate sales to distributors for the year ended 31 December 2017 recorded a decrease of 47.4% compared with that in the previous year and accounted for about 12.9% (2016: 19.5%) of the total turnover.

Turnover by Region

	2017		2016		Change
	RMB'000	% of turnover	RMB'000	% of turnover	%
Menswear					
Central China	16,027	6.5%	33,326	9.5%	-51.9%
North Eastern China	9,446	3.8%	17,577	5.0%	-46.3%
Eastern China	20,362	8.2%	41,323	11.7%	-50.7%
North Western China	44,479	18.0%	53,817	15.3%	-17.4%
Northern China	37,574	15.2%	58,256	16.5%	-35.5%
South Western China	34,189	13.8%	49,053	13.9%	-30.3%
Southern China	79,109	31.9%	92,532	26.2%	-14.5%
Hong Kong and Macau	6,401	2.6%	6,584	1.9%	-2.8%
Total	247,587		352,468		-29.8%

The sales in the South Western, Northern and Southern China for the year ended 31 December 2017 accounted for 60.9% (2016: 56.6%) of the total revenue generated by menswear, which was mainly attributable to the fact that ***V.E. DELURE*** retail stores were located in first-tier and second-tier cities, where the targeted ***V.E. DELURE*** customers were relatively more affluent with strong purchasing power.





Turnover by Product (self-operated stores only)

	2017 RMB'000	2016 RMB'000
Menswear		
Apparel(1)	195,550	259,689
Accessories(2)	8,684	10,340
	204,234	270,029

Sales Volume	2017 Unit sold pcs	2016 Unit sold pcs
Menswear		
Apparel(1)	195,917	206,999
Accessories(2)	32,306	39,064

Average Selling Price	2017 RMB	2016 RMB
Menswear		
Apparel(1)	998	1,255
Accessories(2)	269	265

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 decreased by 29.7% for the year ended 31 December 2017 to approximately RMB128,664,000 (2016: RMB183,135,000) which was in line with the decrease in turnover and sales volumes of menswear during the year. During the year, the Group continued to outsource the production process of most of its 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 RMB31,899,000 or 13.4%, from RMB238,704,000 for the year ended 31 December 2016 to RMB206,805,000 for the year ended 31 December 2017.

During the year, largely due to the implementation of various cost-saving measures and the closure of underperforming menswear stores and other rationalisation processes, there was an increase of 5.0 percentage points in gross profit margin from 56.6% for the year ended 31 December 2016 to 61.6% for the year ended 31 December 2017.

Other Income and Gains

During the year, other income and gains mainly consisted of bank interest income of RMB11,953,000 (2016: RMB14,333,000).

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 RMB84,398,000 (2016: RMB106,447,000), advertising and promotion expenses of approximately RMB22,012,000 (2016: RMB22,324,000), and staff costs of approximately RMB47,422,000 (2016: RMB55,678,000). During the year, the selling and distribution expenses represented about 64.0% (2016: 60.7%) of turnover. The decrease in the selling and distribution expenses was mainly due to the various cost-saving measures taken by the Group during the year.

Administrative Expenses

Administrative expenses decreased from RMB64,596,000 for the year ended 31 December 2016 to RMB59,332,000 for the year ended 31 December 2017, representing a decrease of 8.1%. During the year, administrative expenses accounted for 17.7% (2016: 15.3%) of turnover. The decrease in administrative expenses was mainly attributable to the decrease in staff costs and legal and professional fees.

Finance Costs

Finance costs for the year ended 31 December 2017 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 -8.4% (2016: -1.0%).

Loss Attributable to Ordinary Equity Holders of the Company

The Group recorded a loss attributable to ordinary equity holders of the Company of RMB138,978,000 for the year ended 31 December 2017 (2016: a loss of RMB80,409,000) and a net loss margin for the year ended 31 December 2017 of 41.4% as compared with a net loss margin of 19.1% for the year ended 31 December 2016. Loss per share of RMB14.6 cents was recorded for the year ended 31 December 2017 (2016: loss per share of RMB8.5 cents). The loss was mainly attributable to (i) a decrease in sales which led to a reduction in gross profit; (ii) foreign exchange loss; (iii) an increase in non-cash write-down of inventory provision for children's wear; and (iv) an increase in tax expense due to the payment of withholding tax for the distribution of interim dividend in 2017.

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 an overall negative same-store sales growth for the self-operated stores business of 7.7% during the year.

Retail and Distribution Network

Number of stores of proprietary brands by region

	2017	2016
Central China	**14**	20
North Eastern China	**11**	18
Eastern China	**18**	25
North Western China	**25**	24
Northern China	**29**	35
South Western China	**22**	26
Southern China	**30**	39
Hong Kong and Macau	**2**	2
	151	189

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, 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 2017, the Group had a total of 151 stores in 26 provinces and autonomous regions, covering 90 cities in China. There were 58 self-operated stores in 20 cities in China.

In addition, the total number of distributors of the Group amounted to 93, which operated franchised stores of ***V.E. DELURE*** in 70 cities.

Number of stores of proprietary brands by city tier

	2017	2016	Changes
Self-operated stores			
First-tier	**12**	18	-6
Second-tier	**36**	46	-10
Third-tier	**8**	19	-11
Fourth-tier	**2**	3	-1
	58	86	-28
Franchised stores			
First-tier	**–**	–	–
Second-tier	**17**	17	–
Third-tier	**56**	63	-7
Fourth-tier	**20**	23	-3
	93	103	-10
	151	189	-38

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

The number of menswear self-operated stores decreased from 86 as at 31 December 2016 to 58 as at 31 December 2017 as a result of the consolidation of underperforming stores. Franchised stores operated by the distributors of the Group decreased from 103 as at 31 December 2016 to 93 as at 31 December 2017. As at 31 December 2017, the total area of self-operated stores was approximately 12,147 square meters (2016: 14,740 square meters), representing a decrease of 17.6% 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 2017, the Group has generated revenue from the sales of following 10 international fashion brands:

Brand portfolio

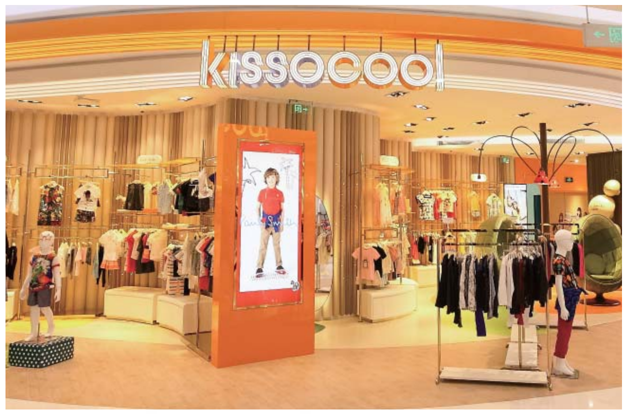
Brands	Territories
Diesel Kids	Mainland China, Hong Kong
Dsquared2	Mainland China
Fendi Kids	Mainland China
Kenzo Kids	Hong Kong
Mini Rodini	Mainland China, Hong Kong
Paul Smith Junior	Mainland China, Hong Kong
Roberto Cavalli Junior	Mainland China, Hong Kong
Sonia Rykiel Paris	Mainland China, Hong Kong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

As at the date of this report, the Group has 4 mono-brand retail stores in Hong Kong and Mainland China.

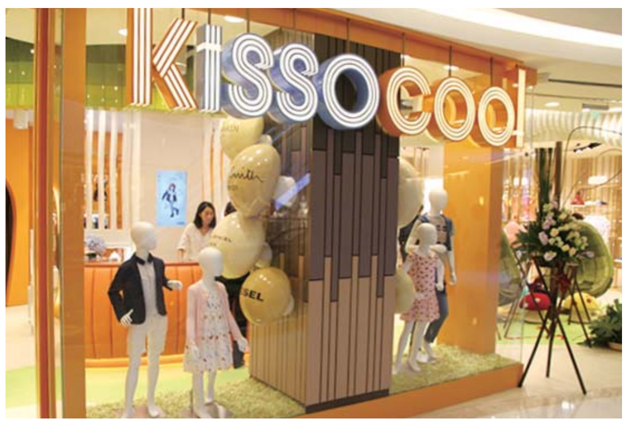
In addition, to cater for the consumer appetite and preference, especially those of the growing number of middle-class couples, the Group has invented and launched its new lifestyle concept store, ***Kissocool***. This new concept store served as a one-stop platform offering children's wear and accessories 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 experiences 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 has 6 ***Kissocool*** concept stores in the Mainland China and Hong Kong as at the date of this report.


kissocool


kissocool


kissocool


FENDI


kissocool

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 Shanghai Kerry Centre ***(Kissocool)*** China Hangzhou MixCity ***(Kissocool)*** China Guangzhou La Perle ***(Kissocool)***
Dsquared2	China Qingdao Hisense Plaza ***(Kissocool)*** China Shanghai Kerry Centre ***(Kissocool)*** China Hangzhou MixCity ***(Kissocool)*** China Guangzhou La Perle ***(Kissocool)***
Fendi Kids	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
Mini Rodini	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)***
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 Sogo Causeway Bay ***(Kissocool)*** Hong Kong Kowloon Bay International Trade & Exhibition Centre Emax ***(Kissocool)*** China Hangzhou MixCity China Qingdao Hisense Plaza ***(Kissocool)*** China Shanghai Kerry Centre ***(Kissocool)*** China Guangzhou La Perle ***(Kissocool)***
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)*** 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 Qingdao Hisense Plaza ***(Kissocool)*** China Shanghai Kerry Centre ***(Kissocool)*** China Hangzhou MixCity ***(Kissocool)*** China Guangzhou La Perle ***(Kissocool)***

For the year ended 31 December 2017, the Group's high-end children's wear and accessories product segment recorded a total revenue of RMB44,429,000 and a net loss of RMB43,137,000.

Sales Fair

V.E. DELURE 2018 Spring and Summer collection sales fair was held in July 2017. The total orders from franchised stores operated by the distributors of the Group decreased by 28% 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 January 2018.

V.E. DELURE 2018 Fall and Winter collection sales fair was held in March 2018. The total orders from franchised stores operated by the distributors of the Group decreased by 3% compared with that of the previous year. Delivery of the orders will commence in August 2018.

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 increased from 455 days as at 31 December 2016 to 499 days as at 31 December 2017, representing an increase of 44 days compared with that of the previous year. The inventory balance decreased from RMB191,303,000 as at 31 December 2016 to RMB160,746,000 as at 31 December 2017. The Group will continue to implement a series of measures such as the use of outlets, temporary promotional sales fairs and online business platforms to speed up the process of selling 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 themes.

In 2017, the total expenditure of the Group on marketing and promotional activities amounted to approximately RMB22,012,000 (2016: RMB22,324,000), accounting for 6.6% (2016: 5.3%) of the turnover. The Group will strive to maintain the ratio within the range of 5%–7% 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, which sponsorship arrangement will last until 2020.

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 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 portfolios 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 499 days as at 31 December 2017, representing an increase of 44 days as compared to 455 days as at 31 December 2016.

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 91 days as at 31 December 2017 (2016: 75 days).

Trade payables represented payables to suppliers and outsourced manufacturers. Trade payables turnover days increased from 31 days as at 31 December 2016 to 43 days as at 31 December 2017.

Use of Proceeds

The shares of the Company (the "Share") were listed on the Main Board of The Stock Exchange of Hong Kong Limited (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 2017, 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 2017) RMB'million	Unutilised amount (as at 31 December 2017) 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	71.2	–
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	722.7	294.7

Liquidity and Financial Resources

As at 31 December 2017, the Group had cash and cash equivalents of RMB434,403,000 (2016: RMB120,252,000), time deposits of nil (2016: RMB500,000,000) and pledged deposits of nil (2016: RMB21,920,000). As at 31 December 2017, the balance of aggregate principal of unlisted corporate bonds issued by the Company amounted to HK$203,200,000 (equivalent to approximately RMB176,052,000) 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 2017, the Group had interest-bearing bank and other borrowings of an aggregate amount of RMB293,163,000 (2016: RMB346,773,000), 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 2.55% to 12.85% per annum (2016: 2.35% to 12.85% 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 ordinary equity holders of the Company. The gearing ratio was not applicable as at 31 December 2017 (2016: 19.5%).

Contingent Liabilities

As at 31 December 2017, the Group had no material contingent liabilities.

Pledge of Assets

As at 31 December 2017, deposits of nil (2016: RMB21,912,000) and certain buildings of carrying amount of approximately RMB340,542,000 (2016: RMB262,800,000) 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 RMB and Hong Kong dollars. The reporting currency of the Group is RMB. Nevertheless, the Group purchases some raw materials and outsourced products in Euros and depreciation of RMB against the foreign currencies would increase the cost of sales of the Group.

The Group did not hedge its foreign exchange exposure during the year. 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

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.

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 2017, the total number of full-time employees of the Group was 502. The total staff costs (excluding directors’ emoluments) for the year ended 31 December 2017 amounted to approximately RMB61,365,000 (2016: RMB73,303,000).

Prospects

In view of the persistent economic restructuring and reform in China, the outlook of retail sector in 2018 still remains uncertain and tough. However, as the Chinese government continues to stimulate domestic consumption to support economic growth, 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 and 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 20 new retail stores for menswear business in 2018, of which approximately 15 are self-operated stores with the remaining 5 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 2017 brought the stock level down from RMB191.3 million as at 31 December 2016 to RMB160.7 million as at 31 December 2017. 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 (i) domestic consumption will remain as the core contributor to GDP growth and (ii) 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 Mainland China, especially that of the mid-end to high-end segments.

As at the date of this report, the Group has 4 mono-brand retail stores and 6 ***Kissocool*** in Hong Kong 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 Mainland China and extends its retail network in Mainland China in coming future.

The Group will continue to look for other new investment opportunities which could be beneficial to its shareholders in the long run.

Concepts and principles

The Environmental, Social and Governance Report section (the "Section") highlights the sustainability initiatives of the Group's self-operated business of menswear brands for the year ended 31 December 2017 (the "Reporting Year"). The Section aims to disclose information at a group level, while the environmental data discussed in the Section covers the Group's headquarter in One Bravo Plaza in the Tianhe District of Guangzhou, as well as four self-operated stores in Beijing, Nanning, Xi'an and Sichuan *(Note 1)*. The Group has more than 150 retail stores in the country, in which 38% are self-operated stores, making the data collection process relatively complex. A self-operated store from Eastern China, Southern China, North Western China and South Western China was chosen as a representation for each of the region, for disclosure of the performance in the environmental aspect. We will increase the scope of disclosure for the self-operated stores when the conditions become more mature in the future.

This Section is prepared in accordance with the requirement of the "Environmental, Social and Governance Reporting Guide" ("the Guide") in Appendix 27 to the Listing Rules. The content covered in this Section is written based on the principles of "importance" and "consistency", in order to ensure the overall disclosure has met the requirement of the HKEX. The Reporting Year covers the same period as the Group's fiscal year.

The figures and data in the Section are from our archived files, records and surveys. We value all feedback and we welcome you to send any comments you may have to ircontact@evergreen-intl.com, helping us strive for improvement.

Our philosophy in sustainable development

It would be challenging for a company to grow sustainably if it only focuses on the short-term profits and ignores the importance of dedicating persistent efforts to the environment, society and governance. The Company is never a short-sighted corporation. We believe that our company will grow steadily in this ever-changing environment as long as we can embrace the future by taking a long-term view and upholding the right values.

Governance responsibility

- Compliance with all applicable laws, regulations and strict ethical standards
- Conduct rigorous assessment on and supervise the suppliers and distributors
- Establish a closer strategic relationship with the brand owners

Environmental responsibility

- Promote green office
- Encourage self-operated stores to adopt green renovation and operation
- Enhance staff's environmental awareness

Social responsibility

- Strengthen customer service and community engagement for a harmonious society
- Respond to national policies by sponsoring sports program and promote national fitness

Note 1 The addresses of the four self-operated stores are:

1. ***V.E. DELURE*** counter, 2/F, Block C, Yansha Outlet, 9 Dongsihuan South Road, Chaoyang District, Beijing
2. ***V.E. DELURE*** counter, 4/F, Mengzhidao Department Store, 49 Minzu Avenue, Nanjing
3. ***V.E. DELURE*** counter, B2/F, Century Jinhua Mall (Bell Tower), Xian
4. ***V.E. DELURE*** counter, 5/F, Wangfujing Department Store, 15 Zongfu Road, Jinjiang District, Chengdu, Sichuan

Performance in 2017

Treasure natural resources

Greenhouse gas emissions	
Total emission	320.56 tones of CO_2e
Scope 1 (Direct emission)	4.8 tones of CO_2e
Scope 2 (Indirect emission) *(Note 2)*	315.76 tones of CO_2e
Energy consumption	
Diesel	2,119 Litre
Gasoline	18,761 Litre
Electricity *(Note 2)*	361,610.48 kWh
Paper products used *(Note 3)*	
Administrative Use of Paper (including A3 & A4 paper)	162,840 sheets
Paper Boxes	240 pcs
Paper Prints (Product tags and bags)	8,491 pcs
Hazardous waste disposal	No substantial hazardous waste is processed or generated in the business
Water consumption *(Note 2)*	288.69 m^3

* The data is obtained from four self-operated stores in Beijing, Nanning, Xi'an and Sichuan, as well as the head office in Guangzhou.

Note 2 Figures from the Beijing self-operated store are not included as the property management company cannot provide the relevant data.

Note 3 The Group's business mainly focus on retailing and distributing branded outfits. The waste generated are mainly paper and domestic waste. As the Group has yet to establish a systematic general waste statistical system, the amount of paper products used is disclosed as a reference. More information will be disclosed when the statistical system becomes more mature.

The Group always values the importance of environmental protection and we strictly abide by the "Environmental Protection Law of the People's Republic of China", "The Energy Conservation Law of the People's Republic of China" and other relevant laws. In order to bring in the national trend of carbon reduction, we continue to run an environmental management task force to collect, supervise and analyze environmental data over an extended period, so as to ensure our overall environmental performance will match with the expectation of the general public.

The Group's main business is operating the high-end men's apparel companies and brands in China. At the same time, we are the authorized dealers for ***Cartier***'s accessories in China and international children's wear brands. Since the Group does not have any manufacturing and processing business, running the wholesale and retail business does not have a significant impact on the environment and natural resources. However, our Group is committed to strengthen our environmental protection measures and strictly manage the supply chain, in order to reduce the possible impact on the environment through our operation.

As a consumer company, the raw materials for our products, the production equipment and licensed brand products come from the suppliers. Since we are in the downstream of the supply chain, we rely on the suppliers in the upper and middle streams to provide quality and stable goods to our consumers. We have the responsibility to regulate the suppliers and make sure that their operations comply with the relevant environmental laws and regulations.

In addition, the Group continues to pass the ISO14001 environmental management system certification. The Group has obtained the certification for six consecutive years, indicating that we maintain a good level of environmental management. In terms of the self-operated store, we continue to implement green retail strategies, including:

1. recycling plastic packaging;

2. reducing the use of disposable items in the retail points; and

3. distributing plastic bags to customers on-demand and encouraging customers to bring their own bags.

Regarding administration, we advocate for the concept of a green office. We adhere the principle of 4Rs, meaning reduce, reuse, recycle and replace, which minimize general waste production.

Build a team of excellence

As an operator of a high-end menswear brand, the corporate image affects the sales performance. Our outstanding employees form the foundation of our company image as our employees are the most critical in influencing customers' impression. Therefore, we see our employees as the most important asset of the company. Through different kinds of employee benefits, training and promotion opportunities, our employees can gradually grow and develop their potential in a role that fits them; hence, the overall business efficiency of the group will be improved.

Demographics of staff

	2017	2016
Number of employees	**502**	691
Male	**9.6%**	10.1%
Female	**90.4%**	89.9%
New recruits	**36.5%**	40.2%
Post-secondary-educated staff	**24.3%**	13.3%
Turnover rate	**66.0%**	62.3%
Distribution of age		
16–24	**3.4%**	8.4%
25–40	**80.5%**	78.0%
41–59	**15.3%**	13.0%
60 or above	**0.8%**	0.6%

Since the company is in a state of business adjustment, some of the stores with low profitability are closed, resulting in a higher turnover rate and a decline in the overall number of employees compared with previous year.

Employment and labour practices

We rigorously enforce the laws and regulations relating to labour and human resources in China. We adopt different codes and regulations to prevent the illegal use of child labour and forced labour. Meanwhile, we also make sure the recruitment procedures are fair and just, without treating employees differently based on their gender, religion, race and other individual preferences. We respect gender equality, which we use the same mechanism to determine an employee's wage regardless of their gender.

In the Reporting Year, the Group did not identify any situation relating to child labour or forced labour.

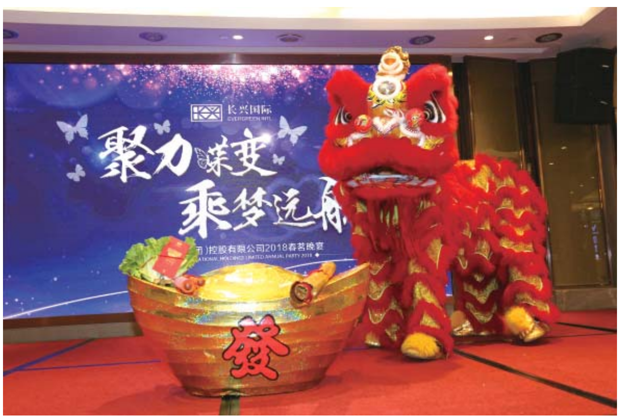
In order to provide incentives for the employees, the Group has a series of remuneration management, performance appraisals, and rewards and penalties management system that are consistent with the national and local policies. At the same time, we can ensure the remuneration and benefits of the Group is competitive and reasonable in relation to the market. The Group is renewing the management system and policies for remuneration, appraisals, rewards and penalties, so as to stay in line with the industry average. Further details will be disclosed in the next fiscal year.

Promote gender equality in the workplace

The Group has been actively promoting gender equality. We believe that gender should not hinder a staff's personal development. The Group currently has 61 employees in the middle or senior management, including supervisors, managers, deputy directors, directors and board directors. Among these employees, 41 of them are women, accounting for 67.2%. According to the 10th issue of the "Hays Asia Salary Guide" released by the global recruitment expert, Hays, there is 35% of women holding a management position in China, indicating that the proportion of women in management is higher in the Group comparing to the rest of the country. We are grateful for our female employees' dedication to the Group. With their hard work and effort, our business will continue to thrive.

Value employees' effort

To strengthen the employees' sense of belonging, the Group held an annual staff meeting cum dinner in Guangzhou that rewarded employees for their hard work in the Reporting Year. At the event, the Group also presented awards to outstanding employees and thanked their support to the Group. The awards included outstanding employees, outstanding teams, outstanding managers, outstanding salesperson, outstanding store managers, ten-million store managers, five-year service award, ten-year service award, etc.



Health and safety

We value the relationship between the Group and the employees and we are committed to improving the safety performance of the Group continuously. To further develop the system of occupational health and safety, we are strictly abiding by the Contract Law, the Labour Law, the Salary Payment Ordinance, the Employee Paid Annual Leave Regulation, the Social Insurance Law and the Special Rules on the Labor Protection of Female Employees. At the same time, we provide on-the-job training and coaching, as well as external training, which ensure our employees understand the requirement of their position and eliminate all potential health and safety risks.

The current laws and regulations are getting more stringent. Society is constantly emphasizing that corporations have an unavoidable responsibility on the employees' occupational health. For the corporations, occupational health is not only a matter of social morality and legal responsibility, it is also management of operational risks, so that the interest of the Group can be protected. As the Group values the importance of occupational health and safety, we enforced a comprehensive and effective system in the Reporting Year and we have been certified for the Occupational Health and Safety Management System OHSAS 18001:2007.

In the Reporting Year, there was no case of work-related death or injury reported.

Development and training

The Group treasures every staff and believes the staff will grow along with the Group's business. The Group also provides targeted, systematic and forward-looking training for the staff, hoping to unleash the employees' potential and support the sustainable development of the Group.

In 2017, the average number of training hours per employee of the Group was 1.5 hours.

As the Group continues to develop, we are also increasing the training opportunities for our staff and we are constantly reviewing and improving the training curriculum, making sure that the trainings meet the needs of the business operation and the employees.

Ensure responsible management

Supply chain management

	2017
Domestic suppliers	70
International suppliers	8

The Group had 55 long-term suppliers in 2017, of which most were domestic suppliers. The remaining were project-based suppliers.

The establishment of the supply chain forms the basis of corporate operational risk management. By sustaining a good supply chain, the Group can largely minimize its operational risks. Since our Group does not own any production line, supply chain management is particularly important to the stability of our operation. In view of managing the potential environmental and social risks of suppliers, we monitor their operational quality through a series of administrative measures, such as requesting them to provide their environmental or governance systems' certifications, to ensure their business operational stability and to reduce the environmental and social risks in our supply chain.

Before establishing a partnership with a supplier, our quality control department, design department, procurement department and warehouse department will assess the supplier's performance in four different areas, including the style, delivery time, quality and cooperativeness. The departments will score the "Supplier Survey" based on the performance. The survey covers the following items:

(1) whether it has a quality management certification system;

(2) whether it has an occupational health management system;

(3) whether it has other external certifications;

(4) whether it has a good product development capability;

(5) whether it has a reasonable production cycle;

(6) whether it has good equipment quality;

(7) whether it has stable manpower; and

(8) whether it has stable financial status.

After the assessment, we will categorize the supplier's score and determine the quantity of the order.

Score	Grade	
90–100	A	Major supplier for long-term cooperation
80–89	B	Major supplier for cooperation, but the supplier needs rectification based on the requirement of the Group
60–79	C	Supplementary supplier that is possible for cooperation if improvement is made
60 or below	D	Disqualify the qualification as a supplier

We have a variety of focused and fair standards for different types of suppliers based on the characteristics of their products. For example, regarding fabric suppliers, we have added in the assessment criteria that it is necessary for them to comply with the national standard GB18401-2010 in National General Safety Technical Code for Textile Products. For manufacturing suppliers, we require them to comply with the "National Standardised Evaluation Criteria of Safety Production in Garment Manufacturing Enterprises" required by the country. For logistics suppliers, we require them to obtain the quality management system ISO9001: 2008, and the supply chain safety management certification ISO28000: 2007, in order to make sure their service quality have met the international standards.

Under the strict supplier management, our products maintained a stable quality in the Reporting Year and the overall operation performance was good.

Product liability

	2017	2016
Products recalled for safety or health concerns	**0**	0

The best way to maintain a good customer relationship is to keep the highest product quality. We have established a series of stringent product inspection standards, referencing the country's standard and the industry requirement, to ensure the products are superior to their peers. Our product inspection is conducted by the quality control department based on the requirement listed in the "Standards for Workflow and Testing" and the "Procedure for Pre-and Post-production".

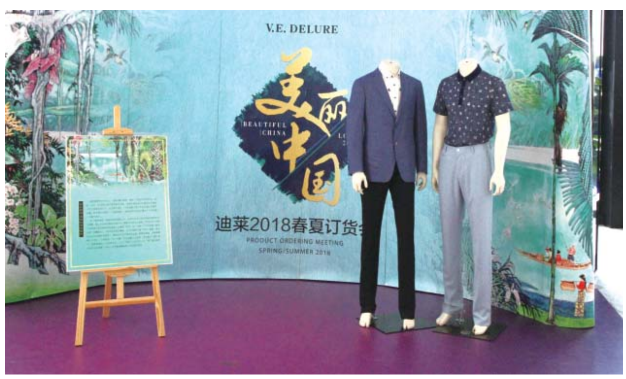
Based on the inspection standards mentioned earlier, we have a specific requirement for our products' dimensions, appearance and finishing, so as to ensure that different suppliers can provide products that are identical to the sample and avoid the instability of product quality. If products are found to be slightly defective, the products will be sent for a rework before distributing to the retail stores. If products are found to be significantly defective, a rework may still affect the appearance. We will then handle the defective products based on "Procedure for (unqualified) Product Recall" and the products will not enter the retail market.

Batch (pieces)	**General sampling**	**Normal delivery**	**Rejection**
1–99	Full inspection	Based on the actual number of defective products	
100–500	20%	<3% Defective	>3% Defective
501 or above	10%	<3% Defective	>3% Defective
Leather clothes, suede, suits and leather goods	Full inspection	Based on the actual number of defective products	

Our responsibility of product management is not only demonstrated in quality control, but also in the protection of intellectual property.

	2017	2016
Litigation relating to the protection of intellectual property	**0**	0

We respect intellectual property and we pledged that we will not copy the design from other brands. At the same time, we will try our best to protect the rights and values of our brand by stopping pirate products to circulate in the market. Therefore, we have registered our domain names and trademarks in China, Hong Kong and Macau. We established a comprehensive mechanism for intellectual property protection. Anti-counterfeit technique has been used in our product materials and our products carry the brand's specific international barcodes, helping consumers to identify an authentic product.



Customer relationship management

	2017	2016
No. of customer complaints	52	63

As a brand retailer, building a long-term relationship with customers is a key element for the sustainable development of the business. Our sales team always treats customers seriously and responsibly. Moreover, through the customers' feedback mechanism, we can have a real-time understanding of our customers' opinions. For example, we use various communication platforms such as mobile or WeChat to share the Group's latest information with our customers. Meanwhile, we can also collect customer feedback on these platforms. When a complaint is received, the frontline salesperson will first understand the cause and offer a solution to the customer based on a set of internal procedures for handling complaints. In general, customers can provide their feedback through our complaint hotline or speak to our staff in one of the stores.

In order to improve service quality and improve customer satisfaction, we will integrate and analyze the feedback given by our customers to investigate the inadequacies of the team. After monitoring the product quality and frontline service performance, the collected data will be integrated with the data obtained from the previous investigation for the Group to establish preventive measures and monitor the relevant implementation.

— **Protect customer privacy**
  When collecting customer information, we will explain the use of the personal data and have them sign a consent form, making sure that they agree to provide their personal information to the Group. At the same time, we require frontline staff to follow the internal guidelines when collecting customers' personal information. The staff must not disclose the customer data to any unauthorized third party. Also, the customer data stored in the Group's internal database will be closely monitored by a safety system. All inspection of the data will be recorded in order to prevent individual employees from violating the Code and obtaining customer information.

In the Reporting Year, the Group did not receive any complaint resulting from personal information leakage.

Corporate governance with integrity

	2017	2016
Legal cases relating to corruption	0	0

In 2017, the Group further improved the system of punishment and corruption prevention. The Group asked all PRC employees to sign a "Confidentiality Agreement" and an "Anti-corruption Agreement" with legal validity when they first joined the Group. Staff in the Hong Kong office also needs to agree on the confidentiality clause stated in their employment contracts. In addition, we implement relevant guidelines to promote the integrity of corporate management, and strengthen the control and monitoring of power, so that the monitoring of power is institutionalized, normalized and standardized. In order to improve the overall integrity of the Group, we provide a training on anti-commercial bribery for our staff, ensuring that they have a thorough understanding of the importance of integrity, as well as strengthening the publicity and guidance among the Group.

If there is a suspected case of corruption, our staff can file a report to the department head in written format or talk in person according to the internal reporting mechanism. If the relevant department head is involved in the corruption incident, our staff can directly report the case to the Group's audit committee.

In the Reporting Year, no corruption case was found within the Group. As the business continues to grow, the Group is improving the anti-corruption mechanism. By strengthening and increasing the monitoring intensity, we provide substantial protection to the sustainable development of the Group. When sufficient information is collected, the audit committee will submit the information to the Board of Directors for further action. The staff who files the case will receive an acknowledgment within 5 days. After determining whether a full investigation is needed, the Group will appoint investigators or set up a special committee to carry out further action based on the situation, such as filing a report to the judicial authorities. The identity of the staff who files the report will remain strictly confidential until a disclosure consent is received.

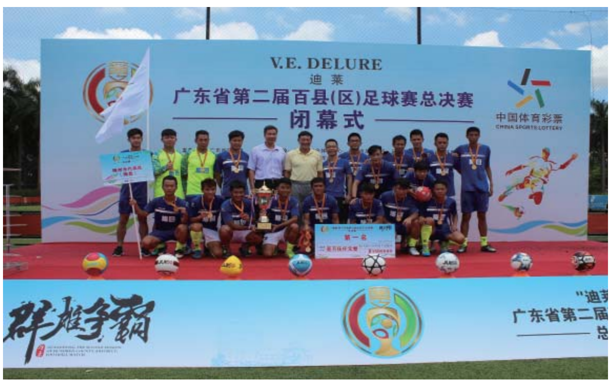
Build a better community

The Group is actively demonstrating corporate social responsibility by taking part in social and charity events, hoping to promote our care for social welfare through various community events. Hence, we strongly encourage our staff to join the volunteer projects and contribute to the community. In 2017, we continued to sponsor various types of sports events and promote a health-conscious atmosphere in society.

Furthermore, the Group was the title sponsor of the "***V.E. DELURE*** Cup", which was the 2nd "Hundred Districts Football Match" in the Guangdong Province, organized by the Sports Bureau of the Guangdong Province, Community Sports Centre of the Guangdong Province, Football Association of the Guangdong Province and Sports Bureau of the Jiangmen District in June 2017. The aim of sponsoring this event was to support the national fitness strategy of the country by promoting the awareness of integrating national fitness and health.

In 2017, the Group's menswear brand ***V. E. DELURE*** was the exclusive sponsor of the official costume worn by the national table tennis and badminton team in China. Besides, we have been a long-term sponsor of both the men's and women's table tennis and badminton teams of China. During the year, our Group sponsored approximately 1,000 pieces of apparels and contributed to the national sports industry.

By sponsoring this type of sports events, we believe it is helpful to increase the social awareness of sports and health, as well as enhance the social image of the Group.



In April 2017, we partnered with the China Table Tennis Association and organized a "Love Ping Pong Cultural and Charity Exhibition Tour" in Wuxi, Jiangsu province, which promoted patriotism, championship, charitable spirit and cross-border spirit to young people. We hope that the young people can learn about hard work and resilience from the national table tennis champions. Besides, we would also like young people to learn empathy from the champions and promote care through actively participating in charity events. By using table tennis as a platform, the Group successfully gathered the power of love and built a caring and charitable platform, and thus demonstrated the win-win strategy of the brand.

CORPORATE GOVERNANCE REPORT

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 as follows:

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 ("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)

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 50 to 52 of 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 expense.

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 training covered[Note]
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	1, 2, 3, 4

Note:

1. Corporate governance
2. Regulatory updates
3. Finance and accounting
4. Industry updates

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, four regular Board meetings were 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, two 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	4/4	–	–	–	1/1	1/1
Chen Yunan	4/4	–	–	–	1/1	0/1
Chen Minwen	4/4	–	–	–	–	0/1
Fong Wo, Felix	4/4	1/1	1/1	2/2	–	1/1
Cheng King Hoi, Andrew	4/4	1/1	1/1	2/2	1/1	1/1
Ng Wing Fai	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 attend 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 expense.

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 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. Chen Yunan and Mr. Cheng King Hoi, Andrew shall retire from the office by rotation at the forthcoming annual general meeting of the Company ("AGM") to be held on Thursday, 7 June 2018. 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 27 April 2018 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 meetings are set out under "Attendance Records of Directors and Committee Members".

There are 13 members of senior management in the Group (including executive Directors) of which 9 members of senior management have remuneration of RMB1,000,000 or below, 3 members of senior management have remuneration between RMB2,000,001 to RMB2,500,000 and 1 member of senior management has remuneration between 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 two 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 twice without the presence of the executive Directors.

The Company's annual results for the year ended 31 December 2017 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 Award 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 consider the implementation 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 Main Board 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 Main Board 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, executive Directors designated by the Chairman of the Board, and 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 2017.

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 53 to 58 of 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:

	Fees Paid/Payable (RMB)
Audit Services	1,750,000
Non-audit Services	
— Taxation	232,000
— Others	30,000
	2,012,000

Other certified public accountants firm charged the Group RMB105,000 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 2017, 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 has also appointed an external professional firm to conduct the review on the material controls of major activities and process of the Group's operation. 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. Hung had 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 2017 AGM was held on 8 June 2017. 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) has 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 2017 and the state of affairs of the Group are set out in the consolidated financial statements on pages 59 to 119 of this annual report.

An interim dividend of HK19 cents (equivalent to approximately RMB16 cents) per ordinary share in respect of the period ended 30 June 2017 was paid to the shareholders on 20 October 2017 (2016: Nil).

The Board did not recommend the payment of a final dividend for the year ended 31 December 2017 (2016: 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 8 to 9 and Management Discussion and Analysis section on pages 10 to 22 of this annual report. Certain financial key performance indicators which complement and supplement our financial disclosures are set out on page 7 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. Consumers 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 in 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 emphasise 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 10 to 22 and "Major customers and suppliers" section on page 42 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 is 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, liabilities and equity of the Group for the last five financial years is set out on page 120 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.

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 41 to the financial statements, respectively.

Distributable Reserves

As at 31 December 2017, 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 RMB410,301,000 (2016: RMB587,474,000). 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:

	2017		2016	
	Percentage of the Group's total		Percentage of the Group's total	
	Sales	**Purchases**	Sales	Purchases
The largest customer	**2.5%**		3.2%	
Five largest customers in aggregate	**13.0%**		12.0%	
The largest supplier		**35.5%**		18.2%
Five largest suppliers in aggregate		**66.9%**		53.6%

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

Pursuant to Article 16.18 of the Articles of Association, Mr. Chen Yunan and Mr. Cheng King Hoi, Andrew 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 50 to 52 of this annual report.

Change of Director's/Chief Executive's Information

Mr. Fong Wo, Felix, an independent non-executive Director, has been appointed as an independent non-executive director and a member of remuneration committee of WuXi Biologics (Cayman) Inc. (HKEx stock code: 2269), a company listed on the Main Board of the Stock Exchange, with effect from 17 May 2017. Mr. Fong has also been appointed as an independent non-executive director of the Bank of Shanghai (Hong Kong) Limited with effect from 29 June 2017.

Mr. Ng Wing Fai, an independent non-executive Director, has been appointed as an independent non-executive director, the chairman and a member of the audit committee and a member of the remuneration committee and the nomination committee of Honworld Group Limited (HKEx stock code: 2226), a company listed on the Main Board of the Stock Exchange, with effect from 29 June 2017.

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 transaction, arrangement or contract 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 2017, 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)*	30,200,773	3.18%
		Beneficial owner *(Note 3)*	3,000,000	0.32%
Chen Yunan	Long position	Beneficiary of a trust *(Note 1)*	483,934,814	51.00%
		Beneficial owner *(Note 3)*	3,000,000	0.32%
Chen Minwen	Long position	Beneficiary of a trust *(Note 1)*	483,934,814	51.00%
		Beneficial owner *(Note 3)*	3,000,000	0.32%
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 30,200,773 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 3,000,000 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 share options during the Reporting Year under the New Share Option Scheme and was deemed to be interested in 900,000 underlying Shares in respect of share options granted.

Save as disclosed above, as at 31 December 2017, 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 arrangement that would enable the Directors to acquire benefits by means 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 fulltime 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$)	Exercise period	Outstanding as at 1 January 2017	Granted during Reporting Year	Exercised during Reporting Year	Lapsed/ forfeited during Reporting Year	Outstanding as at 31 December 2017	Closing price of the Shares immediately before the grant date HK$ 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	1,000,000	–	–	–	1,000,000	0.78
	23/01/2015	0.78	30/04/2018–30/04/2023	2,000,000	–	–	(1,000,000)	1,000,000	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	1,000,000	–	–	–	1,000,000	0.78
	23/01/2015	0.78	30/04/2018–30/04/2023	2,000,000	–	–	(1,000,000)	1,000,000	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	1,000,000	–	–	–	1,000,000	0.78
	23/01/2015	0.78	30/04/2018–30/04/2023	2,000,000	–	–	(1,000,000)	1,000,000	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
Subtotal				13,800,000	–	–	(3,000,000)	10,800,000	
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	3,800,000	–	–	(200,000)	3,600,000	0.78
			30/04/2018–30/04/2023	6,800,000	–	–	(3,950,000)	2,850,000	0.78
Subtotal				15,050,000	–	–	(4,150,000)	10,900,000	
Other Grantee	23/01/2015	0.78	30/04/2015–30/04/2020	900,000	–	–	–	900,000	0.78
Total				29,750,000	–	–	(7,150,000)	22,600,000	

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 years ended 31 December 2015, 2016 and 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 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 (the "Share Award Plan") was adopted by the Board on 27 August 2013 (the "Effective Date"). 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 2017, 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 2017.

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. As at 31 December 2017, there was no outstanding share award under the Share Award Plan.

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

At 31 December 2017, 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)*	30,200,773	3.18%
		Beneficial owner *(Note 3)*	3,000,000	0.32%
Chen Yunan	Long position	Beneficial of a trust *(Note 1)*	483,934,814	51.00%
		Beneficial owner *(Note 3)*	3,000,000	0.32%
Chen Minwen	Long position	Beneficial of a trust *(Note 1)*	483,934,814	51.00%
		Beneficial owner *(Note 3)*	3,000,000	0.32%
Chen Mianna	Long position	Beneficial owner *(Note 4)*	45,543,636	4.80%
		Beneficial owner *(Note 3)*	3,000,000	0.32%
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%
Xie Zhi Xian	Long position	Beneficial owner *(Note 5)*	91,320,904	9.62%

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 30,200,773 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 3,000,000 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. These 91,320,904 Shares were held directly by Miss Xie Zhi Xian.

Save as disclosed above, as at 31 December 2017, 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 contract concerning the management and administration of the whole or any substantial part of the business of the Company was 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 with CIS Securities Asset Management Limited ("CIS", previously known as Convoy Investment Services Limited) as placing agent for the placing of unlisted bonds of the Company up to an aggregate principal amount of HK$200 million (approximately RMB166.9 million) for the purpose of satisfying the needs of the Group's continuous business development. On 31 March 2017, the Company entered into another placing agreement (details of which are set out in the announcement of the Company dated 31 March 2017) with CIS as placing agent for the placing of unlisted bonds of the Company up to an aggregate principal amount of HK$100 million (approximately RMB88.8 million). During the Reporting Year, the Company issued unlisted corporate bonds with aggregate principal of HK$132,400,000 (equivalent to approximately RMB114,711,000) 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.

Related Party Transactions

Details of the related party transactions undertaken by the Group during the year ended 31 December 2017 are set out in note 37 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 provides 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
27 March 2018

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	49	Chairman and executive Director
Mr. CHEN Yunan	49	Executive Director
Mr. CHEN Minwen	42	Executive Director
Mr. FONG Wo, Felix	67	Independent non-executive Director
Mr. CHENG King Hoi, Andrew	59	Independent non-executive Director
Mr. NG Wing Fai	58	Independent non-executive Director

Executive Directors

Mr. CHAN Yuk Ming, aged 49, 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 VE Delure SARL. 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 49, 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 42, 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 67, 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 and a member of the Hong Kong Communications Authority. He is also a director of the Hong Kong Basic Law Institute Limited, and China Overseas Friendship Association. 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) , Sheen Tai Holdings Group Company Limited (stock code: 1335), Xinming China Holdings Limited (stock code: 2699) and Wuxi Biologics (Cayman) Inc. (stock code: 2269), whose stocks are listed on the Stock Exchange. Mr. Fong is also an independent non-executive director of Bank of Shanghai (Hong Kong) Limited.

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 59, 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. He was elected as a committee member of the fourth 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 an Honorary Doctoral Degree of Business Administration from the Northern University, California, the United States of America.

Mr. NG Wing Fai, aged 58, was appointed as an independent non-executive Director on 7 June 2016. He has over 17 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. Mr. Ng has been appointed as an independent non-executive director of Honworld Group Limited (HKEx stock code: 2226) in June 2017.

Senior Management

Ms. CHEN Mianna, aged 47, 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 36, 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 member of The Hong Kong Institute of Certified Public Accountant.

Ms. YIN Yar Fen, aged 52, is the general manager of the kids division of the Group. She joined the Group in April 2015. Ms. Yin graduated from Taiwan Fu Jen Catholic University with a Degree of Bachelor of Arts in Philosophy in 1990. 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 49, 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 23 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 48, 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 25 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. He obtained the Qualification Certificate for AMAC Fund Practitioner in September 2016.

Ms. CHEN Yanxia, aged 37, 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 15 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. LIU Shaoqing, aged 43, 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 17 years. He has over 17 years of experience in the processes of design, pattern-making, garment production and has related working experience.

INDEPENDENT AUDITOR'S REPORT

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 59 to 119, which comprise the consolidated statement of financial position as at 31 December 2017, 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 2017, and of its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with International Financial Reporting Standards ("IFRSs") issued by the International Accounting Standards Board ("IASB") and have been properly prepared in compliance with the disclosure requirements of the Hong Kong Companies Ordinance.

Basis for opinion

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

Key audit matters

Key audit matters are those matters that, in our professional 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 improvements impairment	
The Group had leasehold improvements of the self-operated stores amounted to RMB13,976,000 as at 31 December 2017 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 improvements 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 the 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

27 March 2018

CONSOLIDATED STATEMENT OF PROFIT OR LOSS

Year ended 31 December 2017

	Notes	2017 RMB'000	2016 RMB'000
REVENUE	5	**335,469**	421,839
Cost of sales		**(128,664)**	(183,135)
Gross profit		**206,805**	238,704
Other income and gains	5	**14,788**	35,477
Selling and distribution expenses		**(214,692)**	(256,102)
Administrative expenses		**(59,332)**	(64,596)
Other expenses		**(50,845)**	(18,447)
Finance costs	7	**(24,971)**	(14,668)
LOSS BEFORE TAX	6	**(128,247)**	(79,632)
Income tax expense	10	**(10,731)**	(777)
LOSS ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE COMPANY		**(138,978)**	(80,409)
LOSS PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE COMPANY			
Basic and diluted	12	**RMB(14.6) cents**	RMB(8.5) cents

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

Year ended 31 December 2017

	2017 RMB'000	2016 RMB'000
LOSS ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE COMPANY	**(138,978)**	(80,409)
OTHER COMPREHENSIVE INCOME/(LOSS) TO BE RECLASSIFIED TO PROFIT OR LOSS IN SUBSEQUENT PERIODS:		
Exchange differences on translation of operations outside Mainland China	**27,251**	(22,575)
OTHER COMPREHENSIVE INCOME/(LOSS) FOR THE YEAR	**27,251**	(22,575)
TOTAL COMPREHENSIVE LOSS FOR THE YEAR	**(111,727)**	(102,984)

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

31 December 2017

	Notes	2017 RMB'000	2016 RMB'000
NON-CURRENT ASSETS			
Property, plant and equipment	*13*	**354,943**	379,481
Prepaid land lease payment	*14*	**45,124**	46,086
Goodwill	*15*	**1,880**	1,880
Other intangible asset	*16*	**3,845**	4,115
Long term lease prepayment	*17*	**62,596**	64,178
Available-for-sale investments	*19*	**36,800**	36,800
Deferred tax assets	*28*	**18,921**	18,157
Total non-current assets		**524,109**	550,697
CURRENT ASSETS			
Inventories	*20*	**160,746**	191,303
Trade receivables	*21*	**79,506**	86,888
Prepayments, deposits and other receivables	*22*	**38,048**	57,494
Tax recoverable		**2,974**	–
Time deposits	*23*	**–**	500,000
Pledged deposits	*23*	**–**	21,920
Cash and cash equivalents	*23*	**434,403**	120,252
Total current assets		**715,677**	977,857
CURRENT LIABILITIES			
Trade payables	*24*	**17,310**	12,968
Other payables and accruals	*25*	**56,372**	35,549
Interest-bearing bank and other borrowings	*26*	**160,686**	295,863
Tax payable		**2,856**	568
Total current liabilities		**237,224**	344,948
NET CURRENT ASSETS		**478,453**	632,909
TOTAL ASSETS LESS CURRENT LIABILITIES		**1,002,562**	1,183,606
NON-CURRENT LIABILITIES			
Interest-bearing bank and other borrowings	*26*	**132,477**	50,910
Total non-current liabilities		**132,477**	50,910
Net assets		**870,085**	1,132,696
EQUITY			
Equity attributable to ordinary equity holders of the Company			
Issued capital	*29*	**829**	829
Reserves	*32*	**869,256**	1,131,867
Total equity		**870,085**	1,132,696

CHAN Yuk Ming
Director

CHEN Yunan
Director

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

Year ended 31 December 2017

		Attributable to ordinary equity holders of the Company											
	Notes	Issued capital RMB'000 (note 29)	Share premium account RMB'000 (note 41)	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)
Shares purchased 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

		Attributable to ordinary equity holders of the Company											
	Note	Issued capital RMB'000 (note 29)	Share premium account RMB'000 (note 41)	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 2017		829	671,612	(26)	2,639	1,072	79,379	28	(60,116)	4,466	(3,097)	435,910	1,132,696
Loss for the year		–	–	–	–	–	–	–	–	–	–	(138,978)	(138,978)
Other comprehensive income for the year:													
Exchange differences on translation of operations outside Mainland China		–	–	–	–	–	–	–	27,251	–	–	–	27,251
Total comprehensive loss for the year		–	–	–	–	–	–	–	27,251	–	–	(138,978)	(111,727)
2017 interim dividend		–	(151,812)	–	–	–	–	–	–	–	–	–	(151,812)
Equity-settled share option scheme	30	–	–	–	–	–	–	–	–	928	–	–	928
Transfer from retained profits		–	–	–	–	–	412	–	–	–	–	(412)	–
At 31 December 2017		829	519,800*	(26)*	2,639*	1,072*	79,791*	28*	(32,865)*	5,394*	(3,097)*	296,520*	870,085

* These reserve accounts comprise the consolidated reserves of RMB869,256,000 (2016: RMB1,131,867,000) in the consolidated statement of financial position.

CONSOLIDATED STATEMENT OF CASH FLOWS

Year ended 31 December 2017

	Notes	2017 RMB'000	2016 RMB'000
CASH FLOWS FROM OPERATING ACTIVITIES			
Loss before tax		**(128,247)**	(79,632)
Adjustments for:			
Finance costs	*7*	**24,971**	14,668
Foreign exchange loss/(gain)		**22,137**	(20,679)
Bank interest income	*5*	**(11,953)**	(14,333)
Dividend income from an available-for-sale investment	*5*	**(1,855)**	–
Loss/(gain) on disposal of items of property, plant and equipment	*6*	**3,465**	(36)
Depreciation	*6*	**24,509**	32,326
Impairment of an investment in an associate	*6*	**–**	7,300
Impairment of leasehold improvements	*6*	**–**	3,931
Impairment of trade receivables	*6*	**5,543**	1,307
Impairment of other receivables	*6*	**1,205**	–
Write-down of inventories to net realisable value	*6*	**16,790**	5,496
Amortisation of a long term lease prepayment	*6*	**1,582**	1,582
Recognition of a prepaid land lease payment	*6*	**962**	641
Equity-settled share option expense	*30*	**928**	1,761
Equity-settled share award expense	*31*	**–**	1,178
		(39,963)	(44,490)
Decrease in inventories		**13,709**	70,895
Decrease/(increase) in trade receivables		**1,836**	(3,054)
Decrease in prepayments, deposits and other receivables		**6,657**	8,233
Increase/(decrease) in trade payables		**4,337**	(4,593)
Increase/(decrease) in other payables and accruals		**11,098**	(4,843)
Cash (used in)/generated from operations		**(2,326)**	22,148
Interest received		**23,519**	11,071
Interest element of finance lease rental payments		**(17)**	–
Mainland China corporate income tax paid		**(2,975)**	(1,818)
Mainland China withholding corporate income tax paid	*10*	**(8,478)**	–
Hong Kong profits tax paid		**(728)**	–
Net cash flows from operating activities		**8,995**	31,401

Consolidated Statement of Cash Flows (Continued)

Year ended 31 December 2017

	Notes	2017 RMB'000	2016 RMB'000
Net cash flows from operating activities		**8,995**	31,401
CASH FLOWS FROM INVESTING ACTIVITIES			
Purchases of items of property, plant and equipment		**(2,188)**	(17,336)
Proceeds from disposal of items of property, plant and equipment		**(107)**	44
Dividend income from an available-for-sale investment		**1,855**	–
Purchase of an available-for-sale investment	*19*	**–**	(36,800)
Addition to an investment in an associate		**–**	(2,500)
Addition to a prepaid land lease payment		**–**	(1,397)
Decrease/(increase) in time deposits and pledged deposits		**521,920**	(376,348)
Net cash flows from/(used in) investing activities		**521,480**	(434,337)
CASH FLOWS FROM FINANCING ACTIVITIES			
New bank loans		**168,744**	399,594
Repayment of bank loans		**(305,386)**	(466,894)
Proceed from issue of corporate bonds		**114,711**	66,153
Payment for the transaction costs of corporate bonds		**(22,792)**	(11,923)
Repayment of corporate bonds		**(5,632)**	–
Purchases of shares held under the Share Award Plan		**–**	(413)
Dividend paid		**(151,812)**	–
Capital element of finance lease rental payments		**(123)**	–
Interest paid		**(12,760)**	(13,165)
Net cash flows used in financing activities		**(215,050)**	(26,648)
NET INCREASE/(DECREASE) IN CASH AND CASH EQUIVALENTS		**315,425**	(429,584)
Cash and cash equivalents at beginning of year		**120,252**	548,875
Effect of foreign exchange rate changes, net		**(1,274)**	961
CASH AND CASH EQUIVALENTS AT END OF YEAR		**434,403**	120,252
ANALYSIS OF BALANCES OF CASH AND CASH EQUIVALENTS			
Cash and bank balances	*23*	**434,403**	120,252
Cash and cash equivalents as stated in the consolidated statement of financial position and consolidated statement of cash flows		**434,403**	120,252

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		Principal activities
			Direct	Indirect	
			%	%	
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 %	Percentage of equity attributable to the Company 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. They 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.

As at 31 December 2017, a subsidiary did not meet a financial covenant requirement of a long term loan provided by a bank in Mainland China. As set out in the respective loan agreement, the bank has the rights to demand for immediate repayment from the subsidiary when it becomes aware of the non-compliance incidence. Management has reported the non-compliance incidence to the bank during the year, however, no waiver was granted by the bank, but no immediate repayment was demanded by the bank up to the date of this report. The outstanding loan balance amounting to approximately RMB75,660,000 (as referred to note 26(e)) was reclassified from long term liability to short term liability as at 31 December 2017 (2016: RMB119,899,000).

In the opinion of the Directors, the going concern assumption to prepare the consolidated financial statements is considered to be appropriate because the Group had cash and cash equivalents of RMB434,403,000, net current assets of RMB478,453,000 and net assets of RMB870,085,000 as at 31 December 2017, and unused bank and other borrowings facilities of RMB818,889,000 as at the same date to meet the future operation and funding needs of the Group, respectively.

Basis of consolidation

The 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 2017. 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 the 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 Company. 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 above. A change in the ownership interest of a subsidiary, without a loss of control, is accounted for as an equity transaction.

2.1 Basis of Preparation *(continued)*

Basis of consolidation *(continued)*

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 revised IFRSs for the first time for the current year's financial statements.

Amendments to IAS 7	*Disclosure Initiative*
Amendments to IAS 12	*Recognition of Deferred Tax Assets for Unrealised Losses*
Amendments to IFRS 12 included in *Annual Improvements to IFRSs 2014–2016 Cycle*	*Disclosure of Interests in Other Entities: Clarification of the Scope of IFRS 12*

None of the above amendments to IFRSs has had a significant financial effect on these financial statements. Disclosure has been made in note 33 to the financial statements upon the adoption of amendments to IAS 7, which require an entity to provide disclosures that enable users of financial statements to evaluate changes in liabilities arising from financing activities, including both changes arising from cash flows and non-cash changes.

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*[1]
Amendments to IFRS 4	*Applying IFRS 9 Financial Instruments with IFRS 4 Insurance Contracts*[1]
IFRS 9	*Financial Instruments*[1]
Amendments to IFRS 9	*Prepayment Features with Negative Compensation*[2]
Amendments to IFRS 10 and IAS 28 (2011)	*Sale or Contribution of Assets between an Investor and its Associate or Joint Venture*[4]
IFRS 15	*Revenue from Contracts with Customers*[1]
Amendments to IFRS 15	*Clarifications to IFRS 15 Revenue from Contracts with Customers*[1]
IFRS 16	*Leases*[2]
IFRS 17	*Insurance Contracts*[3]
Amendments to IAS 28	*Long-term Interests in Associates and Joint Ventures*[2]
Amendments to IAS 40	*Transfers of Investment Property*[1]
IFRIC 22	*Foreign Currency Transactions and Advance Consideration*[1]
IFRIC 23	*Uncertainty over Income Tax Treatments*[2]
Annual Improvements 2014–2016 Cycle	*Amendments to IFRS 1 and IAS 28*[1]
Annual Improvements 2015–2017 Cycle	*Amendments to IFRS 3, IFRS 11, IAS 12 and IAS 23*[2]

1 Effective for annual periods beginning on or after 1 January 2018
2 Effective for annual periods beginning on or after 1 January 2019
3 Effective for annual periods beginning on or after 1 January 2021
4 No mandatory effective date yet determined but available for adoption

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

Further information about those IFRSs that are expected to be applicable to the Group is described below:

In July 2014, the IASB issued the final version of IFRS 9, bringing together all phases of the financial instruments project to replace IAS 39 and all previous versions of IFRS 9. The standard introduces new requirements for classification and measurement, impairment and hedge accounting. The Group will adopt IFRS 9 from 1 January 2018. The Group will not restate comparative information and will recognise any transition adjustments against the opening balance of equity at 1 January 2018. During 2017, the Group has performed a detailed assessment of the impact of the adoption of IFRS 9. The expected impacts relate to the classification and measurement and the impairment requirements are summarised as follows:

(a) Classification and measurement

The Group does not expect that the adoption of IFRS 9 will have a significant impact on the classification and measurement of its financial assets. It expects to continue measuring at fair value all financial assets currently held at fair value. Equity investments currently held as available for sale will be measured at fair value through other comprehensive income as the investments are intended to be held for the foreseeable future and the Group expects to apply the option to present fair value changes in other comprehensive income. Gains and losses recorded in other comprehensive income for the equity investments cannot be recycled to profit or loss when the investments are derecognised.

(b) Impairment

IFRS 9 requires an impairment on debt instruments recorded at amortised cost or at fair value through other comprehensive income, lease receivables, loan commitments and financial guarantee contracts that are not accounted for at fair value through profit or loss under IFRS 9, to be recorded based on an expected credit loss model either on a twelve-month basis or a lifetime basis. The Group will apply the simplified approach and record lifetime expected losses that are estimated based on the present values of all cash shortfalls over the remaining life of all of its trade receivables. Furthermore, the Group will apply the general approach and record twelve-month expected credit losses that are estimated based on the possible default events on its other receivables within the next twelve months. The amendments are not expected to have any significant impact upon the initial adoption of the standard.

IFRS 15, issued in May 2014, 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. Either a full retrospective application or a modified retrospective adoption is required on the initial application of the standard. 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 will adopt IFRS 15 from 1 January 2018 and plans to adopt the modified retrospective approach. During 2016, the Group performed a preliminary assessment of IFRS 15, which was continued with a more detailed analysis completed in 2017, and based on the analysis, the Group anticipates that the adoption of IFRS 15 in 2018 is unlikely to have significant impact on the recognition of revenue and the related presentation and disclosure.

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

IFRS 16, issued in January 2016, 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 elective 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, or relates to a class of property, plant and equipment to which the revaluation model is applied. 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. IFRS 16 requires lessees and lessors to make more extensive disclosures than under IAS 17. Lessees can choose to apply the standard using either a full retrospective or a modified retrospective approach. The Group expects to adopt IFRS 16 from 1 January 2019. The Group is currently assessing the impact of IFRS 16 upon adoption and is considering whether it will choose to take advantage of the practical expedients available and which transition approach and reliefs will be adopted. As disclosed in note 35 to the financial statements, at 31 December 2017, the Group had future minimum lease payments under non-cancellable operating leases in aggregate of approximately RMB29,751,000. Upon adoption of IFRS 16, certain amounts included therein may need to be recognised as new right-of-use assets and lease liabilities. Further analysis, however, will be needed to determine the amount of new rights of use assets and lease liabilities to be recognised, including, but not limited to, any amount relating to leases of low-value assets and short term leases, other practical expedients and reliefs chosen, and new leases entered into before the date of 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 investments 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 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	20.00%
Office and other equipment	20.00%–46.00%
Motor vehicles	10.00%–33.00%
Leasehold improvements	33.00%

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.

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 lessor, assets leased by the Group under operating leases are included in non-current assets, and rentals receivable under the operating leases are credited to the statement of profit or loss on the straight-line basis over the lease terms. 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 is reported as interest income, and is 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 and only if the Group has a legally enforceable right to set off current tax assets and current tax liabilities and the deferred tax assets and deferred tax liabilities relate to income taxes levied by the same taxation authority on either the same taxable entity or different taxable entities which intend either to settle current tax liabilities and assets on a net basis, or to realise the assets and settle the liabilities simultaneously, in each future period in which significant amounts of deferred tax liabilities or assets are expected to be settled or recovered.

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) income from the sale of goods is recognised 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 is recognised 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.

(c) dividend income is recognised when the shareholders' right to receive payment has been established.

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.

2.4 Summary of Significant Accounting Policies *(continued)*

Foreign currencies *(continued)*

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).

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.

Judgements

In the process of applying the Group's accounting policies, management has made the following judgements, apart from those involving estimations, which have the most significant effect on the amounts recognised in the financial statements:

Withholding taxes arising from the distribution of dividends

The Group's determination as to whether to accrue for withholding taxes arising from the distribution of dividends from subsidiaries according to the relevant tax jurisdictions is subject to judgement on the timing of the payment of the dividends or on whether the subsidiaries of the Group is determined to be Chinese resident enterprise by the PRC governing tax authorities in the future. Management considered that it is not probable that the Group's subsidiaries in Mainland China will distribute retained profits as at the end of each of the reporting periods in the foreseeable future, and accordingly no provision for withholding tax was made. Where the final outcome of these matters is different from the amounts originally rewarded, the difference will impact the deferred tax provision in the period in which the difference arises.

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.

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

Estimation uncertainty *(continued)*

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.

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.

Impairment of trade and other receivables

The policy for provision for impairment loss of the Group is based on the evaluation of collectability, the aging analysis of trade and other receivables and on management's judgement. A considerable amount of judgement is required in assessing the ultimate realisation of these receivables, including the current creditworthiness and the past collection history of each customer. If the financial conditions of customers of the Group were to deteriorate, resulting in an impairment of their ability to make payments, additional allowances may be required. Further details are given in notes 21 and 22 to the financial statements.

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 requires 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 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 during the year.

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

	2017 RMB'000	2016 RMB'000
Revenue		
Sale of goods	335,469	421,839
Other income and gains		
Dividend income from an available-for-sale investment	1,855	–
Foreign exchange gains, net	–	20,415
Bank interest income	11,953	14,333
Others	980	729
	14,788	35,477

6. Loss Before Tax

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

	Notes	2017 RMB'000	2016 RMB'000
Cost of inventories sold		128,664	183,135
Depreciation	13	24,509	32,326
Amortisation of long term lease prepayment	17	1,582	1,582
Recognition of prepaid land lease payment	14	962	641
Operating lease rental expense:			
— Minimum lease payments		26,555	25,904
— Contingent rents		84,398	106,447
		110,953	132,351
Auditor's remuneration		1,855	1,756
Employee benefit expense			
(excluding directors' remuneration (note 8)):			
— Wages and salaries		54,862	63,369
— Pension scheme contributions		5,950	7,850
— Equity-settled share option expense		553	906
— Equity-settled share award expense		–	1,178
		61,365	73,303
Write-down of inventories to net realisable value*	20	16,790	5,496
Loss/(gain) on disposal of items of property, plant and equipment		3,465	(36)
Impairment of an investment in an associate*	18	–	7,300
Impairment of leasehold improvements*	13	–	3,931
Impairment of trade receivables*	21	5,543	1,307
Impairment of other receivables*	22	1,205	–
Foreign exchange differences, net		22,908*	(20,415)

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

7. Finance Costs

	2017 RMB'000	2016 RMB'000
Interest on bank and other borrowings	12,050	12,228
Interest on bonds payable	12,904	2,313
Interest on a finance lease	17	127
	24,971	14,668

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:

	2017 RMB'000	2016 RMB'000
Fees	624	615
Other emoluments:		
Salaries, allowances and benefits in kind	7,152	6,620
Equity-settled share option expense	375	855
Pension scheme contributions	106	99
	7,633	7,574
	8,257	8,189

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 paid to independent non-executive directors during the year were as follows:

	2017 Fees RMB'000	2016 Fees RMB'000
Mr. FONG Wo, Felix	208	205
Mr. CHENG King Hoi, Andrew	208	205
Mr. NG Wing Fai*	208	116
Mr. KWOK Chi Sun, Vincent*	–	89
	624	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)*

(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
2017					
Executive directors:					
CHAN Yuk Ming (陳育明)	**–**	**2,786**	**125**	**16**	**2,927**
CHEN Yunan (陳育南)	**–**	**2,183**	**125**	**45**	**2,353**
CHEN Minwen (陳敏文)	**–**	**2,183**	**125**	**45**	**2,353**
	–	**7,152**	**375**	**106**	**7,633**
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

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 (2016: 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 (2016: two) highest paid employees who are neither a director nor chief executive of the Company are as follows:

	2017 RMB'000	2016 RMB'000
Salaries, allowances and benefits in kind	**2,933**	3,585
Equity-settled share option expense	**151**	26
Pension scheme contributions	**60**	57
	3,144	3,668

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

	Number of employees	
	2017	2016
Nil to RMB1,000,000	**1**	–
RMB1,000,001 to RMB1,500,000	**–**	1
RMB2,000,001 to RMB2,500,000	**1**	1
	2	2

During the year and in prior years, 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 2017 and 2016 since the applicable profits tax rate was zero.

Hong Kong profits tax has been provided at the rate of 16.5% (2016: 16.5%) on the estimated assessable profits arising in Hong Kong during the year ended 31 December 2017.

Macau profits tax has been provided at the rates ranging from 0% to 12% (2016: 0% to 12%) depending on the extent of estimated assessable profits arising in Macau during the years ended 31 December 2017 and 2016.

The income tax provision of the Group in respect of its operations in Mainland China has been provided at the rate of 25% (2016: 25%) on the taxable profits for the years ended 31 December 2017 and 2016, based on the existing legislation, interpretations and practices in respect thereof.

	2017 RMB'000	2016 RMB'000
Current — Charge for the year		
Hong Kong	**728**	144
Mainland China	**2,289**	845
Withholding tax at 5% on the distributed profits of a Group's PRC subsidiary	**8,478**	–
Deferred (note 28)	**(764)**	(212)
Total tax charge for the year	**10,731**	777

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:

	2017		2016	
	RMB'000	**%**	RMB'000	%
Loss before tax	**(128,247)**		(79,632)	
Tax at the statutory tax rate	**(32,062)**	**25.00**	(19,908)	25.00
Lower tax rates enacted by local authorities	**25,640**	**(19.99)**	6,545	(8.22)
Effect of withholding tax at 5% on the distributed profits of a Group's PRC subsidiary	**8,478**	**(6.61)**	–	–
Income not subject to tax	**(9,682)**	**7.55**	(5,459)	6.86
Expenses not deductible for tax	**3,776**	**(2.95)**	4,228	(5.31)
Tax losses not recognised	**14,581**	**(11.37)**	15,371	(19.30)
Tax charge at the Group's effective rate	**10,731**	**(8.37)**	777	(0.98)

11. Dividends

	2017 RMB'000	2016 RMB'000
Interim — RMB16 cents (2016: Nil) per ordinary share	151,812	–

The board of directors (the "Board") did not recommend the payment of dividend for the year ended 31 December 2017 (2016: Nil) to the ordinary 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 948,799,763 (2016: 946,043,804) during the year ended 31 December 2017, which reflects the ordinary shares held for the share award plan of the Company (the "Share Award Plan") 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 2017 and 2016 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:

	2017 RMB'000	2016 RMB'000
Loss		
Loss attributable to ordinary equity holders of the Company used in the basic loss per share calculation	138,978	80,409

	Number of shares	
	2017	2016
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	(26,000)	(2,781,959)
Adjusted weighted average number of ordinary shares in issue used in the basic loss per share calculation	948,799,763	946,043,804
Effect of dilution — weighted average number of ordinary shares: Share options	–	834,995
Adjusted weighted average number of ordinary shares in issue used in the diluted loss per share calculation	948,799,763	946,878,799

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 2017						
1 January 2017:						
Cost	369,796	1,274	10,467	13,603	44,279	439,419
Accumulated depreciation and impairment	(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
At 1 January 2017, net of accumulated depreciation and impairment	350,962	83	2,760	4,477	21,199	379,481
Additions	92	–	129	–	3,570	3,791
Disposals	–	–	(468)	(4)	(2,886)	(3,358)
Depreciation provided during the year (note 6)	(10,512)	–	(1,282)	(1,227)	(11,488)	(24,509)
Exchange realignment	–	–	(47)	(65)	(350)	(462)
At 31 December 2017, net of accumulated depreciation and impairment	340,542	83	1,092	3,181	10,045	354,943
At 31 December 2017:						
Cost	369,888	1,274	7,780	13,217	28,172	420,331
Accumulated depreciation and impairment	(29,346)	(1,191)	(6,688)	(10,036)	(18,127)	(65,388)
Net carrying amount	340,542	83	1,092	3,181	10,045	354,943

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

	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 and impairment	(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 and impairment	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 (note 6)	(10,407)	(3)	(1,629)	(1,771)	(18,516)	(32,326)
Impairment (note 6)	–	–	–	–	(3,931)	(3,931)
Exchange realignment	–	–	78	16	320	414
At 31 December 2016, net of accumulated depreciation and impairment	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 and impairment	(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

The net carrying amount of the Group's fixed assets held under finance leases included in the total amounts of motor vehicles at 31 December 2017 was RMB277,000 (2016: RMB503,000).

At 31 December 2017, certain of the Group's buildings with a net carrying amount of approximately RMB340,542,000 (2016: RMB262,800,000) were pledged to secure banking facilities granted to the Group (note 26).

During the year of 2017, no impairment (2016: RMB3,931,000) was recorded as a result of the annual review of impairment of leasehold improvements of self-operated stores.

14. Prepaid Land Lease Payment

	Notes	2017 RMB'000	2016 RMB'000
Carrying amount at 1 January		**47,048**	–
Transferred from prepayment for non-current assets		**–**	46,300
Addition		**–**	1,389
Recognition	*6*	**(962)**	(641)
Carrying amount at 31 December		**46,086**	47,048
Current portion included in prepayments, deposits and other receivables	*22*	**(962)**	(962)
Non-current portion		**45,124**	46,086

15. Goodwill

	RMB'000
Cost and net carrying amount at 31 December 2017 and 2016	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 2017 and 2016. 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

	2017 RMB'000	2016 RMB'000
Golf club debenture	**3,845**	4,115

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 2017.

17. Long Term Lease Prepayment

	Note	2017 RMB'000	2016 RMB'000
1 January, net of accumulated amortisation		**64,178**	65,760
Amortisation provided during the year	*6*	**(1,582)**	(1,582)
Net carrying amount		**62,596**	64,178

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

18 Investment in an Associate

	Note	2017 RMB'000	2016 RMB'000
Share of net assets		**–**	1,732
Goodwill on acquisition		**–**	5,568
		–	7,300
Provision for impairment	*6*	**–**	(7,300)
		–	–

During 2016, the Group subscribed 20% interest in an online apparel project company in Hangzhou ("Invested Company") through a wholly-owned subsidiary of the Company. 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.

During 2017, the Group renegotiated with the Invested Company and entered into a supplement agreement to reduce the interest from 20% to 9.125%. Therefore, the Group has no directorship in the Invested Company and the investment was reclassified as available-for-sale as at 31 December 2017 (note 19 (b)).

19. Available-For-Sale Investments

		2017 RMB'000	2016 RMB'000
Unlisted equity investments, at cost:			
PRC investment 1	*(a)*	**36,800**	36,800
PRC investment 2	*(b)*	**7,300**	–
		44,100	36,800
Listed equity investment, at fair value:			
Hong Kong	*(c)*	**50,502**	50,502
		94,602	87,302
Provision for impairment		**(57,802)**	(50,502)
		36,800	36,800

Notes:

(a) The Group's available-for-sale investment as at 31 December 2017 represented an unlisted equity investment through which the Group subscribed a 16% equity interest 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 investment 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 2017.

(b) The Group's available-for-sale investment as at 31 December 2017 represented an unlisted equity investment through which the Group subscribed a 9.125% interest in an online apparel project company in Hangzhou (see note 18).

(c) 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 2017.

20. Inventories

	2017 RMB'000	2016 RMB'000
Raw materials	**3,549**	6,469
Work in progress	**3,423**	2,906
Finished goods	**153,774**	181,928
	160,746	191,303

The amount of the inventory provision recognised for the year ended 31 December 2017 was RMB16,790,000 (2016: RMB5,496,000) (Note 6).

21. Trade Receivables

	2017 RMB'000	2016 RMB'000
Trade receivables	**86,356**	88,195
Impairment of trade receivables	**(6,850)**	(1,307)
	79,506	86,888

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. The Group does not hold any collateral or other credit enhancements over its trade receivable balances. 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:

	2017 RMB'000	2016 RMB'000
Within 1 month	**56,674**	56,627
1 to 3 months	**10,696**	11,654
3 to 6 months	**2,094**	9,717
6 months to 1 year	**4,799**	3,442
Over 1 year	**5,243**	5,448
	79,506	86,888

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

	Note	2017 RMB'000	2016 RMB'000
At beginning of year		**1,307**	–
Impairment losses recognised	*6*	**5,543**	1,307
		6,850	1,307

Included in the above provision for impairment of trade receivables is a provision for individually impaired trade receivables of RMB6,850,000 (2016: RMB1,307,000) with a carrying amount before provision of RMB15,392,000 (2016: RMB4,149,000).

21. Trade Receivables *(continued)*

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.

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

	2017 RMB'000	2016 RMB'000
Neither past due nor impaired	**62,352**	68,281
Less than 3 months past due	**1,940**	9,717
3 to 6 months past due	**2,683**	1,777
6 months to 1 year past due	**1,377**	3,485
Over 1 year past due	**2,612**	786
	70,964	84,046

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 of the Company 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.

22. Prepayments, Deposits and Other Receivables

	Notes	2017 RMB'000	2016 RMB'000
Deposits and other receivables		**32,521**	50,072
Prepayments		**5,770**	6,460
Current portion of the prepaid land lease payment	*14*	**962**	962
Impairment of other receivables	*6*	**(1,205)**	–
		38,048	57,494

Included in the above provision for impairment of other receivables is a provision for individually impaired other receivables of RMB1,205,000 (2016: Nil) with a carrying amount before provision of RMB2,080,000 (2016: Nil).

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

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

	2017 RMB'000	2016 RMB'000
Cash and bank balances	**434,403**	120,252
Time deposits with original maturity of over three months when acquired	**–**	521,920
	434,403	642,172
Less:		
Time deposits	**–**	(500,000)
Pledged deposits:		
Pledged for bank acceptance bills	**–**	(21,920)
Cash and cash equivalents	**434,403**	120,252

At the end of the reporting period, the cash and bank balances and time deposits of the Group denominated in RMB amounted to RMB419,699,000 (2016: RMB619,563,000). The RMB 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 immediate 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 period, based on the invoice date, is as follows:

	2017 RMB'000	2016 RMB'000
Within 1 month	**7,561**	3,978
1 to 3 months	**5,845**	3,254
3 to 6 months	**1,505**	3,096
6 months to 1 year	**979**	598
Over 1 year	**1,420**	2,042
	17,310	12,968

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 to their fair values.

25. Other Payables and Accruals

	2017 RMB'000	2016 RMB'000
Other payables	**32,779**	27,057
Advances from customers	**18,365**	4,702
Deferred income	**1,769**	2,000
Accruals	**3,459**	1,790
	56,372	35,549

Other payables are non-interest-bearing and settled on demand.

26. Interest-Bearing Bank and Other Borrowings

	2017			2016		
	Effective interest rate (%)	Maturity	RMB'000	Effective interest rate (%)	Maturity	RMB'000
Current						
Bank loan — secured	**6.55**	**2018**	**66,000**	2.35-5.3	2017	73,900
Bank loans — secured	**2.55–5.22**	**On demand**	**82,725**	2.55–5.22	On demand	129,577
Bank loan — unsecured	**2.56–2.74**	**On demand**	**4,339**	2.54–2.59	On demand	8,578
Bank loans — unsecured	**–**	**–**	**–**	5.66	2017	78,000
Finance lease payables (note 27)	**4.4**	**2018**	**118**	4.4	2017	127
Corporate bonds (note d)	**10.23–10.70**	**2018**	**7,504**	8.91–10.28	2017	5,681
			160,686			295,863
Non-current						
Finance lease payables (note 27)	**4.4**	**2019–2020**	**237**	4.4	2018–2020	380
Corporate bonds (note d)	**10.33–12.85**	**2019–2025**	**132,240**	10.33–12.85	2018–2024	50,530
			132,477			50,910
			293,163			346,773

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

	2017 RMB'000	2016 RMB'000
Analysed into:		
Bank loans repayable:		
Within one year or on demand	**153,064**	290,055
Other loan repayable:		
Within one year	**7,622**	5,808
In the second year	**24,916**	6,904
In the third to fifth years, inclusive	**49,573**	27,450
Beyond five years	**57,988**	16,556
	140,099	56,718
	293,163	346,773

Notes:

(a) Certain of the Group's bank loans are secured by mortgages over the Group's buildings, which had an aggregate carrying value at the end of the reporting period of approximately RMB340,542,000 (2016: RMB262,800,000).

(b) As at 31 December 2017, no time deposits (2016: RMB21,920,000) were pledged to secure bank loans granted to the Group.

(c) As at 31 December 2017, the Group's bank loans were denominated in Hong Kong dollars, Renminbi, Euro with aggregate amounts of RMB6,094,000 (2016: RMB31,667,000) , RMB141,660,000 (2016: RMB248,900,000) and RMB5,310,000 (2016: RMB9,488,000), respectively.

(d) **Corporate bonds**
During the year ended 2017, the Company issued unlisted corporate bonds in Hong Kong with an aggregate principal amount of HK$132,400,000 (equivalent to approximately RMB114,711,000) (2016: 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:

	2017 RMB'000	2016 RMB'000
Carrying amount as at 1 January	**56,211**	–
Issuance during the year	**114,711**	66,153
Transaction costs	**(23,496)**	(13,198)
Interest expense (note 7)	**12,904**	2,313
Interest payable included in other payables and accruals	**(8,090)**	(1,489)
Repayment	**(5,632)**	–
Exchange realignment	**(6,864)**	2,432
Carrying amount as at 31 December	**139,744**	56,211
Portion classified as current liabilities	**7,504**	5,681
Non-current portion	**132,240**	50,530

The effective interest rates on the Group's corporate bonds range from 10.23% to 12.85% per annum (2016: 8.91% to 12.85%).

(e) As at 31 December 2017, 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 RMB75,660,000 was recorded as current liabilities as at 31 December 2017 (2016: RMB119,899,000). 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 a motor vehicle in 2017 and the lease was classified as a finance lease and has remaining lease terms of three years.

At 31 December 2017, the total future minimum lease payments under the finance lease and their present values were as follows:

Group	Minimum lease payments 2017 RMB'000	Present value of minimum lease payments 2017 RMB'000
Amounts payable:		
Within one year	130	118
In the second year	125	118
In the third to fifth years, inclusive	121	119
Total minimum finance lease payments	376	355
Future finance charges	(21)	
Total net finance lease payables	355	
Portion classified as current liabilities (note 26)	118	
Non-current portion (note 26)	237	

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 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 and at 1 January 2017	15,273	1,371	1,513	18,157
Deferred tax credited/ (charged) to the statement of profit or loss during the year (note 10)	1,297	(318)	(215)	764
At 31 December 2017	16,570	1,053	1,298	18,921

The Group has tax losses arising in Hong Kong, Macau and Mainland China of RMB248,765,000 (2016: RMB216,816,000) 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 established in Mainland China. The requirement is effective from 1 January 2008 and applies to earnings after 31 December 2007. A lower withholding tax rate may be applied if there is a tax treaty between Mainland China and the jurisdiction of the foreign investors. For the Group, the applicable rate is 5% or 10%.

At 31 December 2017, 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 established 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 2017, the Group has not recognised deferred tax liabilities of RMB34,436,000 (31 December 2016: RMB58,200,000) in respect of aggregate amount of temporary differences associated with the unremitted profits of subsidiaries in Mainland China amounting to RMB688,722,000 (31 December 2016: RMB582,000,000).

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

29. Share Capital

Shares

	2017 RMB'000	2016 RMB'000
Issued and fully paid:		
948,825,763 (2016: 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 operated a share option scheme (the "Scheme") for the purpose of providing incentives and rewarded to eligible participants who contribute to the success of the Group's operations. Eligible participants of the Scheme included 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 which vested on 30 April 2015, were granted to the independent non-executive directors of the Company, 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 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.

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.

30. Share Option Scheme *(continued)*

The following share options were outstanding under the New Share Option Scheme during the years ended 31 December 2017 and 2016:

	2017 Weighted average exercise price HK$ per share	2017 Number of options '000	2016 Weighted average exercise price HK$ per share	2016 Number of options '000
At 1 January	**0.78**	**29,750**	0.78	37,150
Forfeited during the year	**0.78**	**(7,150)**	0.78	(7,400)
At 31 December	**0.78**	**22,600**	0.78	29,750

During the year ended 31 December 2017, 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 2017 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
6,600	0.78	30 April 2017 to 30 April 2022
5,850	0.78	30 April 2018 to 30 April 2023
22,600		

The Group recognised a share option expense of RMB928,000 related to the share options under the New Share Option Scheme for the year ended 31 December 2017 (2016: RMB1,761,000).

At the end of the reporting period, the Company had 22,600,000 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 22,600,000 additional ordinary shares of the Company and additional share capital of HK$23,000 (equivalent to RMB19,000) and share premium of HK$17,605,000 (equivalent to RMB14,716,000) (before the issue expenses).

At the date of approval of these consolidated financial statements, the Company had 22,600,000 share options outstanding under the New Share Option Scheme, which represented approximately 2.4% 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 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.

No ordinary shares of the Company on the Stock Exchange were purchased for the Share Award Plan during the year ended 31 December 2017 (2016: 650,000).

No outstanding Awarded Shares at 31 December 2017 and 2016, and no share award expense was recognised during the year ended 31 December 2017 (2016: RMB1,178,000).

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 62 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. The reserve is 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. Notes to the Consolidated Statement of Cash Flows

Changes in liabilities arising from financing activities

	Bank loans RMB'000	Finance lease payables RMB'000	Corporate bonds RMB'000
At 1 January 2017	290,055	507	56,211
Changes from financing cash flows	(136,642)	(123)	86,287
Foreign exchange movement	(349)	(29)	(6,864)
Interest expense	–	–	4,814
Transaction cost	–	–	(704)
At 31 December 2017	153,064	355	139,744

34. Pledge of Assets

As at 31 December 2017, buildings of RMB340,542,000 (2016: RMB262,800,000) were mortgaged as security for the bank borrowings of the Group. No time deposits (2016: RMB21,920,000) were pledged to secure bank borrowings granted to the Group. Details are included in note 26 to the financial statements.

35. Operating Lease Arrangements

As Lessee

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 2017, the Group had total future minimum lease payments under non-cancellable operating leases falling due as follows:

	2017 RMB'000	2016 RMB'000
Within one year	13,177	17,626
In the second to fifth years, inclusive	16,574	8,977
	29,751	26,603

36. Commitments

In addition to the operating lease commitments detailed in note 35 above, the Group had the following capital commitments at the end of the reporting period:

	2017 RMB'000	2016 RMB'000
Contracted, but not provided for:		
Buildings, plant and machinery	56,306	–
Equity investment	59,200	59,200
	115,506	59,200

37. Related Party Transactions

Compensation of key management personnel of the Group:

	2017 RMB'000	2016 RMB'000
Salaries, allowances and benefits in kind	12,683	14,072
Pension scheme contributions	274	361
Equity-settled share option expense	631	1,302
Equity-settled share award expense	–	130
Total compensation paid to key management personnel	13,588	15,865

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

38. 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:

2017
Financial assets

	Loans and receivables RMB'000	Available-for-sale financial assets RMB'000	Total RMB'000
Available-for-sale investments	–	36,800	36,800
Trade receivables	79,506	–	79,506
Financial assets included in prepayments, deposits and other receivables	19,635	–	19,635
Cash and cash equivalents	434,403	–	434,403
	533,544	36,800	570,344

Financial liabilities

	Financial liabilities at amortised cost RMB'000
Trade payables	17,310
Financial liabilities included in other payables and accruals	11,107
Interest-bearing bank and other borrowings	293,163
	321,580

38. Financial Instruments by Category *(continued)*

2016
Financial assets

	Loans and receivables RMB'000	Available-for-sale financial assets RMB'000	Total RMB'000
Available-for-sale investments	–	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 payables	12,968
Financial liabilities included in other payables and accruals	4,536
Interest-bearing bank and other borrowings	346,773
	364,277

39. 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.

The fair values of the financial assets and liabilities are included at the amount at which the instrument could be exchanged in a current transaction between willing parties, other than in a forced or liquidation sale. The following methods and assumptions were used to estimate the fair values:

The fair values of the non-current portion of finance lease payables, interest-bearing bank and other borrowings have been calculated by discounting the expected future cash flows using rates currently available for instruments with similar terms, credit risk and remaining maturities. The Group's own non-performance risk for non-current portion of finance lease payables, and interest-bearing bank and other borrowings as at 31 December 2017 was assessed to be insignificant.

40. Financial Risk Management Objectives and Policies

The Group's principal financial instruments comprise cash and cash equivalents, interest-bearing bank loans, finance lease payables 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. Such exposures mainly arise from sales or purchases by operating units in currencies other than the units' functional currencies. Approximately 8% (2016: 6%) of the Group's sales were denominated in currencies other than the functional currencies of the operating units making the sale, whilst approximately 19% (2016: 24%) of purchases were denominated in currencies other than the functional currencies of the operating units making the purchase. Approximately 0.2% (2016: 0.3%) 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 loss before tax RMB'000	Increase/ (decrease) in equity * RMB'000
2017			
If RMB weakens against HK$	**5**	**(583)**	**136**
If RMB strengthens against HK$	**(5)**	**583**	**(136)**
2016			
If RMB weakens against HK$	5	6	(8)
If RMB strengthens against HK$	(5)	(6)	8

* Excluding retained profits

40. 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 and other receivables, arises from default of the counterparty, with a maximum exposure equal to the carrying amounts of these instruments.

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, a 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:

2017

	On demand RMB'000	Less than 3 months RMB'000	3 months to 1 years RMB'000	1 to 5 years RMB'000	Total RMB'000
Trade payables	103	13,302	3,905	–	17,310
Financial liabilities included in other payables and accruals	11,107	–	–	–	11,107
Interest-bearing bank and other borrowings	98,822	1,081	91,537	198,107	389,547
	110,032	14,383	95,442	198,107	417,964

2016

	On demand RMB'000	Less than 3 months RMB'000	3 months to 1 years RMB'000	1 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

40. 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 2017 and 2016.

The Group monitors capital using a gearing ratio, which is net debt divided by 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:

	2017 **RMB'000**	2016 RMB'000
Interest-bearing bank and other borrowings	**293,163**	346,773
Trade payables	**17,310**	12,968
Other payables and accruals	**56,372**	35,549
Less: Cash and cash equivalents	**(434,403)**	(120,252)
Net debt	**(67,558)**	275,038
Equity attributable to ordinary equity holders of the Company	**870,085**	1,132,696
Capital and net debt	**802,527**	1,407,734
Gearing ratio	**N/A**	20%

41. 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:

	2017 RMB'000	2016 RMB'000
CURRENT ASSETS		
Amounts due from subsidiaries	700,775	837,129
Cash and cash equivalents	1,140	7,778
Total current assets	701,915	844,907
CURRENT LIABILITIES		
Other payables and accruals	9,016	4,260
Other borrowing	7,504	5,681
Amounts due to subsidiaries	183,808	202,713
Total current liabilities	200,328	212,654
NET CURRENT ASSETS	501,587	632,253
TOTAL ASSETS LESS CURRENT LIABILITIES	501,587	632,253
NON-CURRENT LIABILITIES		
Other borrowings	132,240	50,530
Total non-current liabilities	132,240	50,530
Net assets	369,347	581,723
EQUITY		
Issued capital	829	829
Reserves (note)	368,518	580,894
Total equity	369,347	581,723

CHAN Yuk Ming
Director

CHEN Yunan
Director

41. 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 Plan RMB'000	Accumulated losses RMB'000	Total RMB'000
At 1 January 2016	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
Shares purchased 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 and 1 January 2017	671,612	(7,923)	4,466	(3,097)	(26)	(84,138)	580,894
Total comprehensive loss for the year	–	(36,131)	–	–	–	(25,361)	(61,492)
2017 Interim dividend	(151,812)	–	–	–	–	–	(151,812)
Equity-settled share option scheme	–	–	928	–	–	–	928
At 31 December 2017	519,800	(44,054)	5,394	(3,097)	(26)	(109,499)	368,518

42. Approval of the Financial Statements

The financial statements were approved and authorised for issue by the Board on 27 March 2018.

FIVE YEAR FINANCIAL SUMMARY

A summary of the results and of the assets, liabilities and equity 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				
	2017 RMB'000	2016 RMB'000	2015 RMB'000	2014 RMB'000	2013 RMB'000
RESULTS					
REVENUE	**335,469**	421,839	451,565	548,328	693,617
Cost of sales	**(128,664)**	(183,135)	(152,131)	(169,191)	(232,130)
Gross profit	**206,805**	238,704	299,434	379,137	461,487
Other income and gains	**14,788**	35,477	17,230	17,284	20,151
Selling and distribution expenses	**(214,692)**	(256,102)	(274,864)	(267,662)	(307,877)
Administrative expenses	**(59,332)**	(64,596)	(72,612)	(60,601)	(48,789)
Other expenses	**(50,845)**	(18,447)	(30,920)	(15,548)	(6,318)
Impairment of an available-for-sale investment	**–**	–	–	(50,502)	–
Finance costs	**(24,971)**	(14,668)	(16,811)	(17,598)	(8,601)
PROFIT/(LOSS) BEFORE TAX	**(128,247)**	(79,632)	(78,543)	(15,490)	110,053
Income tax credit/(expense)	**(10,731)**	(777)	2,968	(18,295)	(33,214)
PROFIT/(LOSS) FOR THE YEAR	**(138,978)**	(80,409)	(75,575)	(33,785)	76,839
Attributable to:					
Ordinary equity holders of the Company	**(138,978)**	(80,409)	(75,575)	(33,785)	76,839

Assets, Liabilities and Equity

	As at 31 December				
	2017 RMB'000	2016 RMB'000	2015 RMB'000	2014 RMB'000	2013 RMB'000
TOTAL ASSETS	**1,239,786**	1,528,554	1,642,319	1,872,023	1,875,562
TOTAL LIABILITIES	**(369,701)**	(395,858)	(409,165)	(555,996)	(507,301)
TOTAL EQUITY	**870,085**	1,132,696	1,233,154	1,316,027	1,368,261