CHINA FORDOO HOLDINGS LIMITED

中國虎都控股有限公司

(incorporated in the Cayman Islands with limited liability)

Stock Code: 2399

2015 ANNUAL REPORT

About Fordoo

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

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Corporate Information

BOARD OF DIRECTORS AND COMMITTEES

Executive Directors

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

Independent Non-executive Directors

Mr. Kwauk Teh-Ming Walter
Mr. Zhang Longgen
Mr. Zhang Zhaodong

Audit Committee

Mr. Kwauk Teh-Ming Walter *(Chairman)*
Mr. Zhang Longgen
Mr. Zhang Zhaodong

Remuneration Committee

Mr. Zhang Zhaodong *(Chairman)*
Mr. Kwauk Teh-Ming Walter
Mr. Zhang Longgen

Nomination Committee

Mr. Kwok Kin Sun *(Chairman)*
Mr. Zhang Longgen
Mr. Kwauk Teh-Ming Walter

COMPANY SECRETARY

Mr. Chung Ming Kit *HKICPA, CFA*

AUTHORIZED REPRESENTATIVES

Mr. Kwok Kin Sun
Mr. Chung Ming Kit *HKICPA, CFA*

AUDITOR

KPMG, *Certified Public Accountants*

LEGAL ADVISER AS TO HONG KONG LAW

Orrick, Herrington & Sutcliffe

COMPLIANCE ADVISER

CMB International Capital Limited

REGISTERED OFFICE

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

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

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

PRINCIPAL PLACE OF BUSINESS IN HONG KONG

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

CAYMAN ISLANDS SHARE REGISTRAR

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

HONG KONG SHARE REGISTRAR

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

PRINCIPAL BANKERS

Bank of China (Hong Kong) Limited
Bank of Communications Co., Ltd.
China Construction Bank (Asia) Corporation Limited
China CITIC Bank Corporation Limited
China Construction Bank Corporation
China Minsheng Banking Corporation Limited
DBS Bank (Hong Kong) Limited
The Hongkong and Shanghai Banking Corporation Limited

IR CONTACT

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COMPANY WEBSITE

www.fordoo.cn

Financial Highlights

- Revenue of the Group increased by 12.0% to RMB1,873.7 million (2014: RMB1,672.4 million).
- Gross profit of the Group increased by 14.4% to RMB676.1 million (2014: RMB591.1 million).
- EBITDA of the Group increased by 5.7% to RMB464.4 million (2014: RMB439.4 million).
- Net profit of the Group increased by 6.7% to RMB288.7 million (2014: RMB270.6 million).
- Basic and diluted earnings per share decreased by 7.7% to RMB60 cents (2014: RMB65 cents).
- Final dividend of HK22 cents (equivalent to approximately RMB18 cents) per share is proposed, representing a total payout of RMB88.5 million and dividend payout ratio of approximately 30.7% (2014: HK36 cents).

	2015	2014	**Change**
Profitability ratios			
Gross profit margin	**36.1%**	35.3%	0.8 ppt
EBITDA margin	**24.8%**	26.3%	−1.5 ppt
Net profit margin	**15.4%**	16.2%	−0.8 ppt
Return on equity [(1)]	**20.8%**	21.7%	−0.9 ppt
Liquidity ratios			
Inventory turnover (Days) [(2)]	**18**	18	
Trade and bills receivables turnover (Days) [(3)]	**118**	125	
Trade payables turnover (Days) [(4)]	**37**	44	
Capital ratios			
Interest coverage ratios [(5)]	**19**	17	
Net Debt to equity ratio (%) [(6)]	**Net Cash**	Net Cash	
Gearing ratio [(7)]	**35.6%**	27.7%	7.9ppt

Notes:

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

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

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

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

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

(6) Net debt divided by total equity as of the end of the year. Net debt includes bank borrowings net of cash and cash equivalents, pledged bank deposits and fixed deposits held at bank. As at 31 December 2014 and 31 December 2015, the Group recorded a net cash position.

(7) Total debts divided by the total equity.

Chairman's Statement

On behalf of the Board (the "Board") of Directors (the "Directors") of China Fordoo Holdings Limited (the "Company"), I am pleased to present the audited consolidated results of the Company and its subsidiaries (collectively referred to as the "Group" or "China Fordoo") for the year ended 31 December 2015 (the "Year").

BUSINESS OVERVIEW

2015 was another difficult year for many apparel players in the industry. China's economy has entered into the "New Normal phase" and shifted from high growth to medium-to-high growth, while the overall economic structure has been improved and upgraded. Domestic consumption is expected to eventually form a key engine to economic development. In the short run, the retail environment in China will be adversely affected by the persisting contraction in the spending momentum (on discretionary products in particular) and rising operating costs. Nevertheless, the Group has achieved another year of growth in both revenue and net profit. During the Year, revenue of the Group increased by 12.0% to RMB1,873.7 million, and net profit for the Year increased by 6.7% to RMB288.7 million.

During the Year, we have launched a new casual fashion series targeting younger customers aged between 18 and 30. We have received positive responses for this new series, which has contributed additional revenue of RMB58.0 million to our top line. On the other hand, to accomplish our vertical strategy of integrating fabric manufacturing to final apparel production, we have launched a small in-house fabric production line. We continued to engage Mr. Ma Tak Chung, Joe (馬德鐘先生), a well-known actor in both Hong Kong and mainland China, as the spokesperson for our business formal wear in the People's Republic of China (the "PRC").

Under the New Normal phase, the PRC Government has encouraged "mass entrepreneurship and innovation" (大眾創業、萬眾創新), and also introduced the Silk Road Economic Belt and the 21st Century Maritime Silk Road concept called "One Belt, One Road". With our headquarters located in the Taiwan Straits West Coast Economic Zone, the key area of the New Silk Road, we will benefit from the favorable policies, together with our free operation cash flow to capture the great investment opportunities.

Our business model will be transformed into "core menswear business plus investment" (實業男裝+投資). We plan to utilize our internal resources to explore investment opportunities in both fixed income and non-fixed income investments. For the non-fixed income investment, we will focus on exploring investment opportunities in the internet, high technology, new energy and financial well-operated companies, aiming to share value growth of these companies. We believe this strategy will further strengthen our Company in the future and generate more return to our investors.

During the Year, the Group achieved a sound financial position and maintained its cash flow at a relatively healthy level. The Board recommended the payment of a final dividend of HK22 cents per share of the Company ("Share"), representing a dividend payout ratio of approximately 30.7%. It is our long-term dividend policy to distribute more than 30% of the Group's earnings to our shareholders (the "Shareholders").

FUTURE PROSPECTS

We see greater concerns about the Chinese economy as many international retail companies have slowed down or even suspended their expansion plans in China. We also see a deep discount for many luxury brands across the Greater China region recently. This shows weak market sentiment and there is no sign of notable recovery. Though we continue to adopt a cautiously optimistic view with respect to the growth of consumer demand in the menswear market in China, we decide to suspend our expansion plan in 2016. We will devote our resources to focus on brand building, personal style, product design and quality and consolidate our retail outlet network after the rapid expansion in the previous years. In particular, we will focus more on increasing same store sales instead of total sales. In fact, we had a net increase of 328 retail outlets in the last three years, representing 27.2% increase as compared to three years ago. In the coming financial year, we will speed up the installation process of our enterprise resource planning (the "ERP") system and will close down the under-performing retail outlets. We believe the above-mentioned measures will make us a competitive company in the long run.

APPRECIATION

Last but not least, I would like to take this opportunity to extend my sincere gratitude to all fellow directors, management and our staff for their unwavering dedication and contribution to our Group's development. I would also like to thank all of our Shareholders, for their trust and continuous support over a challenging but rewarding year of 2015.

Management Discussion and Analysis

OVERVIEW

2015 was a complicated year for the global economy. The Federal Reserve of the United States raised interest rates for the first time in nearly a decade. At the same time, Renminbi ended its one way ride and started to depreciate in the second half of the year. Market uncertainties lingered about the economy of the emerging markets after the start of a new round of interest rate rising cycle. In particular, there were concerns about the sustainability of the relative high GDP growth of China. This not only affected the capital markets but also affected consumers' behavior. The growth of the apparel retail industry in China has slowed down despite the increasing household income and spending.

During the Year, the Group adopted a prudent operational strategy, focusing on improving its distribution management and enhancing its product quality and design. As a result of our continuous efforts, the Group had achieved a robust growth in revenue to RMB1,873.7 million, representing a 12.0% increase over the previous year and net profit has marked a record high for the fifth consecutive year, reaching RMB288.7 million.

FINANCIAL REVIEW

For the year ended 31 December 2015, profit of the Group was approximately RMB288.7 million, representing an increase of 6.7% as compared to RMB270.6 million for the previous year. The increase was mainly due to the expansion of the Group's distribution network and the enhancement of its brand awareness. As of 31 December 2015, the Group had 1,533 retail outlets (including 2 self-operated retail stores), representing a net increase of 81 retail outlets from 1,452 retail outlets as at 31 December 2014.

The Group operated in a single business, manufacturing and wholesaling of menswear in the PRC. Accordingly, no segmental analysis is presented.

Revenue

For the year ended 31 December 2015, revenue increased by approximately 12.0% to RMB1,873.7 million from RMB1,672.4 million for the previous year. The increase in revenue was primarily due to (i) increase in popularity of our brand and (ii) increase in sales volume and average wholesale price.

Revenue by Product Type

	For the year ended 31 December								
	2015				2014				
	Revenue RMB million	%	Volume Unit	Average wholesale price (1) RMB	Revenue RMB million	%	Volume Unit	Average wholesale price (1) RMB	Change %
Apparel									
Men's trousers	**1,045.9**	**55.8**	**7,534,978**	**138.8**	963.2	57.6	7,219,076	133.4	8.6
Men's tops	**791.9**	**42.3**	**3,618,044**	**218.9**	693.6	41.5	3,424,119	202.6	14.2
Accessories	**16.6**	**0.9**	**279,003**	**59.3**	15.6	0.9	258,891	60.4	6.4
Fabrics (2)	**19.3**	**1.0**	**309,096**	**62.4**	–	–	–	–	N/A
Total	**1,873.7**	**100.0**	**11,741,121**	**159.6**	1,672.4	100.0	10,902,086	153.4	12.0

Trousers remained the major revenue contributor during the Year and accounted for 55.8% of the Group's revenue (2014: 57.6%).

Notes:

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

(2) The Group had developed a fabric production facility and started to manufacture and sell fabrics during the year of 2015.

Revenue by Product Style

	For the year ended 31 December								
	2015				2014				
	Revenue RMB million	%	Volume Unit	Average wholesale price (1) RMB	Revenue RMB million	%	Volume Unit	Average wholesale price (1) RMB	Change %
Apparel									
Business Casual	**1,042.6**	**55.6**	**6,166,072**	**169.1**	1,000.1	59.8	6,335,378	157.9	4.2
Business Formal	**582.4**	**31.1**	**3,588,382**	**162.3**	524.5	31.4	3,344,388	156.8	11.0
Casual (2)	**212.8**	**11.4**	**1,398,568**	**152.2**	132.2	7.9	963,429	137.2	61.0
Accessories	**16.6**	**0.9**	**279,003**	**59.3**	15.6	0.9	258,891	60.4	6.4
Fabrics	**19.3**	**1.0**	**309,096**	**62.4**	–	–	–	–	N/A
Total	**1,873.7**	**100.0**	**11,741,121**	**159.6**	1,672.4	100.0	10,902,086	153.4	12.0

Business casual series continued to be our largest revenue contributor during the Year and accounted for 55.6% of the Group's revenue (2014: 59.8%).

The Group enhanced its product mix by launching a new men's casual fashion series in 2015, offering younger and trendier styles to customers aged between 18 and 30. Revenue from the casual series recorded an encouraging year-on-year growth of 61.0%, which was mainly driven by the introduction of this new men's casual fashion series.

The new men's casual fashion series was initially sold in a few of our distributors' retail outlets. We believe this new men's casual fashion series complements our strategy to seize additional business opportunities in China's growing menswear market.

Notes:

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

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

Revenue by Region

	For the year ended 31 December				
	2015		2014		
	Revenue		Revenue		Change
Region	**RMB million**	**%**	RMB million	%	%
Apparel and accessories					
Northern China [1]	**322.1**	**17.2**	261.6	15.7	23.1
Northeastern China [2]	**115.3**	**6.1**	102.1	6.1	12.9
Eastern China [3]	**639.7**	**34.1**	586.8	35.1	9.0
Central Southern China [4]	**313.1**	**16.7**	262.5	15.7	19.3
Southwestern China [5]	**209.0**	**11.2**	240.0	14.3	−12.9
Northwestern China [6]	**227.7**	**12.2**	210.2	12.6	8.3
Subtotal	**1,826.9**	**97.5**	1,663.2	99.5	9.8
Online distributor	**20.4**	**1.1**	2.4	0.1	753.7
Self-operated retail outlets	**7.1**	**0.4**	6.8	0.4	4.1
Subtotal	**1,854.4**	**99.0**	1,672.4	100.0	10.9
Fabrics	**19.3**	**1.0**	–	–	N/A
Total	**1,873.7**	**100.0**	1,672.4	100.0	12.0

Notes:

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

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

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

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

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

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

Management Discussion and Analysis

Eastern China, Northern China and Central Southern China regions remained the major revenue contributors to the Group, and together accounted for 68.0% (2014: 66.5%) of the total revenue and 68.8% (2014: 69.1%) of the total number of stores for the year ended 31 December 2015.

The Group started a new distributorship arrangement with an online distributor in early 2015 to better manage its online sales. This contributed to a remarkable rebound increased by 753.7% of our sales to online distributor as compared to the previous year.

The following map shows the geographical distribution of the retail outlets of the Group in China as of 31 December 2015.

Cost of Sales

Cost of sales increased by approximately 10.8% to RMB1,197.6 million for the year ended 31 December 2015 from approximately RMB1,081.3 million for the previous year. The increase was mainly due to the increase in the purchase price of raw materials, staff cost and product sold.

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

During the year ended 31 December 2015, self-production accounted for approximately 64.2% (2014: 65.8%) of the total cost of sales, decreased by 1.6 percentage points.

Gross Profit and Gross Profit Margin

Gross profit for the year ended 31 December 2015 increased by approximately 14.4% year-on-year to RMB676.1 million. Gross profit margin increased 0.8 percentage points year-on-year to 36.1%.

The increase in gross profit margin was mainly attributable to the increase in the average selling price during the financial year. We had increased our production of certain types of products with higher gross profit margins.

Other Revenue

Other revenue increased by approximately RMB7.0 million year-on-year to RMB19.2 million for the year ended 31 December 2015. The increase in other revenue was mainly attributable to an increase in interest income and exchange gain which was partially offset by the decrease in government grants. The increase in interest income was mainly due to the increase of our average bank balance. The net foreign exchange gain of RMB7.4 million (2014: RMB0.3 million) was mainly due to the translation of our bank balance in US dollar to functional currency of RMB.

Selling and Distribution Expenses

For the year ended 31 December 2015, selling and distribution expenses increased by approximately RMB15.0 million year-on-year to RMB120.5 million, accounting for approximately 6.4% of total revenue, which represented a year-on-year increase of 0.1 percentage points. The increase was primarily due to (i) an increase in advertising and promotional expenses primarily in connection with promotional gift items, and (ii) an increase in decoration expenses to improve in-store design and layout for our retail stores.

In particular, advertising and promotional expenses and decoration expenses recorded approximately RMB83.0 million, which accounted for approximately 4.4% of the total revenue, up by 0.1 percentage points compared to the previous year. The Group continued to take initiatives to promote its corporate image through multichannel marketing and store renovation.

Administrative and Other Operating Expenses

For the year ended 31 December 2015, the Group's administrative and other operating expenses increased by approximately RMB53.5 million year-on-year to RMB140.0 million, accounting for approximately 7.5% of total revenue, which represented a year-on-year increase of 2.3 percentage points. The increase was mainly due to the provision for bad and doubtful debt amounting to RMB54.5 million (2014: nil). As a result of a slower economic growth and the individually impaired receivables related to customers that were in financial difficulties, the Group's management assessed that only a portion of the receivables is expected to be recovered. Consequently, specific allowances for doubtful debt were recognised. This increase was partially offset by the absence of listing expenses in relation to the initial public offering and listing of the shares of the Company on The Stock Exchange of Hong Kong Limited (the "Stock Exchange") of approximately RMB12.7 million which had been charged to administrative and other operating expenses in 2014. Excluding the effect of the account receivable provision and listing expenses, the Group's administrative and other operating expenses for the year ended 31 December 2015 had increased by 15.9% compared to the previous year. This was mainly attributable to the increase in amortization of lease prepayment and increase in product design and development cost.

Finance Costs

For the year ended 31 December 2015, finance cost decreased by 6.4% year-on-year to approximately RMB22.7 million, mainly due to lower average interest rate.

Income Tax

The effective income tax rate for the year ended 31 December 2015 was 30.0%, down by 0.1 percentage points from 30.1% for the previous year. Income tax expenses included RMB15.2 million (2014: RMB14.2 million) withholding tax on dividend which will be declared by our subsidiaries in the PRC. The decrease in effective tax rate was due to decrease in some offshore expenses incurred which were not tax deductible.

Profit Attributable to Shareholders of the Company

Profit attributable to the Shareholders for the year ended 31 December 2015 was approximately RMB288.7 million, representing a year-on-year increase of 6.7%. Net profit margin was 15.4%, representing a year-on-year decrease of 0.8 percentage points.

Final Dividend

The Board resolved to recommend the payment of a final dividend of HK22 cents (equivalent to approximately RMB18 cents) per Share for the 2015 financial year, representing a total payout of approximately HK$105.6 million (equivalent to approximately RMB88.5 million). Subject to the approval of the Shareholders at the forthcoming annual general meeting of the Company, the final dividend is expected to be paid in cash on or around 31 May 2016 to the Shareholders whose names appear on the register of members of the Company at 4:30 p.m. on Tuesday, 17 May 2016.

BUSINESS REVIEW

Distribution Network

The following table shows the changes in the number of stores in different regions during the year ended 31 December 2015:

	Number of stores			
Region	As of 1 January 2015	Stores opened during the period	Stores closed during the period	As of 31 December 2015
Northern China	**264**	**26**	**10**	**280**
Northeastern China	**81**	**21**	**8**	**94**
Eastern China	**472**	**48**	**28**	**492**
Central Southern China	**267**	**26**	**10**	**283**
Southwestern China	**190**	**14**	**18**	**186**
Northwestern China	**176**	**23**	**3**	**196**
Subtotal	**1,450**	**158**	**77**	**1,531**
Self-operated retail outlets	**2**	**–**	**–**	**2**
Total	**1,452**	**158**	**77**	**1,533**

As of 31 December 2015, our distribution network comprised of 61 distributors (including one online distributor) and 197 sub-distributors who operated 1,531 retail outlets, spanning over 240 cities and 31 provinces, autonomous regions and central government-administered municipalities in the PRC. We also sell a small quantity of our products directly to end customers through our two self-operated retail outlets in Quanzhou, Fujian Province.

The Group is optimistic about the long term growth potential of the menswear industry in China and has continued to expand its sales network in 2015. The Group primarily sells its products on a wholesale basis to its third-party distributors, who then sell the products to end customers through retail outlets or resell the products to their sub-distributors, who in turn sell the products to end customers through retail outlets operated by those sub-distributors. We believe adopting a wholesale distributorship model allows us to focus on our core competency in brand management, design, product development and production and has enabled us to achieve a relatively fast expansion in a cost efficient manner.

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

As of 31 December 2015, the Group had 1,533 retail outlets (including the 2 self-operated retail stores), representing a net increase of 81 retail outlets from 1,452 retail outlets as at 31 December 2014.

In 2015, the Group realigned its stores network and closed down certain under-performing retail stores. New stores opened during the financial year were mostly situated in third and fourth-tier cities in the PRC.

As of 31 December 2015, 78.3% of the retail outlets were located in department stores or shopping malls whereas 21.7% of the retail outlets were standalone stores.

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

As of 31 December 2015, approximately 32.2% of our stores were located in first-tier cities and second-tier cities and the remaining retail outlets were located in third-tier cities and fourth-tier cities. We believe our footprint has provided us with a strong foundation to capture future growth opportunities arising from different regions in the PRC.

The following table shows the number of retail outlets (including our two self-operated retail outlets in Quanzhou, Fujian Province) in first-tier cities, second-tier cities and lower-tier cities as of 31 December 2015:

	Number of stores			
Region	As of 31 December 2014		**As of 31 December 2015**	
First-tier cities [(1)]	138	9.6%	**147**	**9.6%**
Second-tier cities [(2)]	365	25.1%	**346**	**22.6%**
Third-tier cities [(3)]	526	36.2%	**554**	**36.1%**
Fourth-tier cities [(4)]	423	29.1%	**486**	**31.7%**
	1,452	100.0%	**1,533**	**100.0%**

Notes:

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

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

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

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

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

Distribution Channel Management

As of 31 December 2015, the Group's distribution network further expanded to 61 distributors (2014: 52) and 197 (2014: 188) sub-distributors. Among the 61 distributors, 21 (including their predecessors) had business relationships with us for more than eight years. We believe that we have cultivated strong, stable and long-standing relationships with our distributors, which have been core to our brand building efforts as well as our strong operating track record.

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

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

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

Marketing and Promotion

During the financial year, the Group continued to upgrade its existing stores to enhance and reinforce its brand image. This measure was an integral part of the Group's brand promotion campaign. The Group opened 158 new stores and renovated 158 existing stores in 2015, and achieved its target for the whole year. We endeavor to continue to gradually upgrade some of the stores operated by our distributors and their sub-distributors through store renovation and improvement of in-store design and layout.

In order to promote our brand image and heighten our brand awareness, the Group increased its spending on advertising and promotion including setting up outdoor LED monitors and large advertising billboards in airports and highway stations located in selected cities in the PRC, including Beijing, Shenzhen, Guangzhou, Zhengzhou, Chengdu and well-known department stores in the PRC.

In addition, the Group has continued to engage Mr. Ma Tak Chung, Joe (馬德鐘), an actor well-known in Hong Kong and mainland China, as the spokesperson for its business formal wear in the PRC to maximize the promotional effect.

Design and Product Development

The Group always attaches great importance to the style and quality of its products. Adhering to this philosophy, the Group has been committed to achieve excellence through continuous research, design and development of new products over the years. Currently we have a product design and development team of over 130 members. The key team members, who plan, implement, supervise and manage the design and development efforts, have an average of 10 years of experience in the fashion industry. Through conversations with its distributors, the Group has strategically integrated a business model that has enabled the Group to channel feedback and market information from the retail level to its design and product development team.

Sales Fairs

We generally organize sales fairs twice a year at our headquarters in Quanzhou to showcase our upcoming products for the spring/summer and autumn/winter collections to our existing and potential distributors and their sub-distributors. Our sales fairs generally take place in September for the spring/summer collection and March for the autumn/winter collection. We review our distributors' orders placed at our sales fairs to ensure that they are reasonable and in line with the relevant distributor's capacity and growth plans.

The sales fairs for the 2015 autumn/winter collections and 2016 spring/summer collections were held in March 2015 and September 2015, respectively. The Group had recorded an increase of approximately 11% and 8% in terms of purchase orders, respectively, as compared with the respective collections for the previous year. We will have the sales fair for 2016 the autumn/winter collection in March 2016.

Liquidity and Financial Resources

As at 31 December 2015, the Group had total bank borrowings of approximately RMB494.3 million (31 December 2014: RMB345.0 million). The net cash position as at 31 December 2015 with comparative figures for the previous year, were as follows:

	2015	2014
	RMB million	RMB million
Cash and bank balances (including pledged bank deposits)	**703.8**	379.1
Less: Total borrowings	**(494.3)**	(345.0)
Net Cash	**209.5**	34.1

The maturity profile of the total borrowings as 31 December 2015 were as follows:

	2015		2014	
	RMB million	**%**	RMB million	%
Bank borrowings				
— Within 1 year	**348.0**	**70.4%**	345.0	100.0%
— After 1 but within 2 years	**146.3**	**29.6%**	–	–
Total	**494.3**	**100.0%**	345.0	100.0%

As at 31 December 2015, the bank borrowings with comparative figures for the previous year were as follows:

	2015	2014
	RMB million	RMB million
Bank borrowings		
— Secured	**474.3**	265.0
— Unsecured	**20.0**	80.0
Total	**494.3**	345.0

As at 31 December 2015, the group had a net cash balance of RMB209.5 million (2014: net cash of RMB34.1 million). The gearing ratio as at 31 December 2015 was 35.6%, an increase of 7.9% as compared to 27.7% for the previous year. The increase was mainly due to the payment of dividends for the year ended 31 December 2014 and the related additional bank borrowings. The interest cover of 2015 was 19 times (2014: 17 times).

Cash inflow from operating activities for the year ended 31 December 2015 amounted to approximately RMB344.0 million (2014: RMB223.3 million). The increase was mainly attributed to an increase in operating profit before changes in working capital of approximately RMB58.1 million and a smaller year-on-year increase in working capital balance of RMB81.3 million, offset by an increase of income tax paid of RMB18.7 million.

The cash flow used in investing activities for the year ended 31 December 2015 amounted to approximately RMB3.5 million (2014: cash outflow of RMB328.4 million). The amount mainly included the payment for the purchase of property, plant and equipment and intangible assets of RMB19.5 million and the net decrease of fixed deposits held at banks with original maturity over three months and pledged bank deposit of RMB13.6 million, and interest received of RMB2.4 million.

The cash flow used in financing activities for the year ended 31 December 2015 was approximately RMB9.7 million (2014: cash inflow of RMB225.4 million). The amount included dividend paid of RMB136.4 million and interest paid of RMB22.6 million offset by the net bank borrowing of RMB149.3 million.

As at 31 December 2015, the Group's total equity increased by approximately RMB144.5 million to approximately RMB1,389.1 million (2014: RMB1,244.6 million).

Trade Working Capital Ratios

The Group's average inventory turnover days was 18 days for each of the years ended 31 December 2015 and 31 December 2014. We maintained low average inventory turnover days in the financial year. We typically place orders with raw material suppliers and our OEM contractors after we have obtained and confirmed offers from our distributors post our sales fairs. This enables us to keep low average inventory turnover days resulted from effective inventory control and low inventory obsolescence risk.

The Group's average trade and bills receivables turnover days for the year ended 31 December 2015 was 118 days, a decrease of 7 days from 125 days for the previous year. There was a provision for account receivables of RMB54.5 million for the year ended 31 December 2015. Excluding the provision for account receivables, the turnover days was 122 days and the decrease was mainly due to better control of creditor terms during the year.

The Group's average trade payables turnover days was 37 days for the year ended 31 December 2015, a decrease of 7 days as compared to 44 days for the previous year. We normally have 30 to 60 days credit period from our suppliers.

The Group recorded a net cash position as at 31 December 2015 and 31 December 2014.

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

Charges of Assets

As at 31 December 2015, secured bank borrowings were secured by bank deposits, certain buildings, investment properties and land use rights with carrying value of RMB47,100,000 (2014: nil), RMB251,708,000 (2014: RMB262,448,000), RMB26,117,000 (2014: RMB27,304,000) and RMB274,456,000 (2014: RMB41,051,000), respectively.

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

During the year ended 31 December 2015, there was no significant investment, material acquisition or disposal of subsidiaries and associated companies by the Company.

Future Plans for Material Investments and Capital Assets

We plan to develop a Fordoo commercial center which includes a new research and development center in Hui'an. The whole project is still under the design stage. We expect to fund the whole project principally with cash generated from our operations and bank borrowings.

Capital Commitments and Contingencies

As at 31 December 2015, the Group had a total capital commitment of RMB227.6 million, primarily related to the proposed construction of a new research and development centre in Hui'an, Fujian Province. These capital commitments are expected to be financed by internal resources of the Group.

As at 31 December 2015, the Group had no material contingent liabilities.

Foreign Currency Exposure

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

Employees, Training, and Development

The Group had a total of 3,593 employees as at 31 December 2015 (2014: 3,580). Total staff costs for the year amounted to approximately RMB184.0 million (2014: RMB168.3 million).

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

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

Closure of Register of Members

The register of members of the Company will be closed from Tuesday, 3 May 2016 to Thursday, 5 May 2016 (both days inclusive) for the purpose of determining entitlements of Shareholders to attend and vote at the forthcoming annual general meeting (the "2016 AGM"). In order to qualify for attending and voting at the 2016 AGM, all transfers of Shares accompanied by the relevant share certificate must be lodged with the Company's share registrar and transfer office, Computershare Hong Kong Investor Services Limited at Shops 1712–1716, 17/F., Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong not later than 4:30 p.m. on Friday, 29 April 2016.

In addition, subject to the approval of the proposed final dividend by the Shareholders at the 2016 AGM, the register of members will be closed from Wednesday, 18 May 2016 to Monday, 23 May 2016 (both days inclusive) for the purpose of determining entitlements of Shareholders for the proposed final dividend. In order to qualify for the proposed final dividend, all transfers of Shares accompanied by the relevant share certificate must be lodged with the Company's share registrar and transfer office, Computershare Hong Kong Investor Services Limited at Shops 1712–1716, 17/F, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong not later than 4:30 p.m. on Tuesday, 17 May 2016.

Use of Proceeds

The Shares were listed on the main board of the Stock Exchange on 16 July 2014 with net proceeds ("Net Proceeds") from the global offerings of approximately HK$454.7 million (after deducting underwriting commissions and related expenses). Part of these proceeds were applied during the financial year in accordance with the proposed applications set out in the section headed "Future Plans and Use of Proceeds" in the prospectus of the Company dated 30 June 2014 (the "Prospectus"). As at 31 December 2015, the Group had utilised HK$273.3 million of the Net Proceeds and unutilised Net Proceeds amounted to HK$181.4 million.

The following table sets forth a breakdown of the use of net proceeds during the financial year:

Use of net proceeds	Available for use HK$million	Utilized (as at 31 December 2015) HK$million	Unutilized (as at 31 December 2015) HK$million
Brand promotion and marketing	**122.8**	**(56.0)**	**66.8**
Research, design and product development	**90.9**	**(15.4)**	**75.5**
Repay a portion of our bank borrowings	**90.9**	**(90.9)**	**–**
Expand distribution network and provide storefront decoration	**59.1**	**(59.1)**	**–**
Install ERP system	**45.5**	**(6.4)**	**39.1**
Working capital and other general corporate purposes	**45.5**	**(45.5)**	**–**
	454.7	**(273.3)**	**181.4**

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

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

CORPORATE GOVERNANCE CODE

After reviewing the Company's corporate governance practices and the relevant regulations of the Corporate Governance Code and Corporate Governance Report (the "CG Code") as set out in Appendix 14 to the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Listing Rules"), the Board is satisfied that the Company has complied with the CG Code provisions for the year ended 31 December 2015, except for a deviation from Code provision A.6.7.

Under Code provision A.6.7, independent non-executive directors and other non-executive directors should attend general meetings and develop a balanced understanding of the view of the shareholders. Due to other pre-arranged business commitments, Mr. Kwauk Teh-Ming Walter and Mr. Zhang Longgen, both independent non-executive Directors, were not able to attend the annual general meeting of the Company held on 5 May 2015 (the "2015 AGM").

BOARD OF DIRECTORS

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

The Board currently comprises three executive Directors, namely Mr. Kwok Kin Sun, Mr. Kwok Hon Fung and Ms. Yuan Mei Rong and three independent non-executive Directors, namely, Mr. Kwauk Teh-Ming Walter, Mr. Zhang Longgen and Mr. Zhang Zhaodong.

Their biographical details and (where applicable) their family relationships are set out in the section headed "Biographical Details of Directors and Senior Management" on pages 28 to 30 in this annual report.

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

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

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

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

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

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

DIRECTORS' AND OFFICERS' INSURANCE

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

DIRECTORS' CONTINUOUS TRAINING AND PROFESSIONAL DEVELOPMENT

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

All Directors are also encouraged to participate in continuous professional development to develop and refresh their knowledge and skills. Briefings and updates on the latest development regarding the Listing Rules and other applicable regulatory requirements are provided to each of the Directors to ensure compliance and enhance their awareness of good corporate governance practices. In addition, in February 2015, the Directors attended a refreshment training session in connection with, among other things, the duties of directors under the Listing Rules and the applicable laws and regulations provided by the Company's Hong Kong legal advisers. All Directors, namely Mr. Kwok Kin Sun, Mr. Kwok Hon Fung, Ms. Yuan Mei Rong, Mr. Kwauk Teh-Ming Walter, Mr. Zhang Longgen and Mr. Zhang Zhaodong participated in this continuous professional development exercise by way of attending in-house training and/or seminars organized by professional organizations and reading materials updating new rules and regulations to keep themselves updated on the roles, functions and duties of a listed company director.

CHAIRMAN AND CHIEF EXECUTIVE OFFICER

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

INDEPENDENCE OF INDEPENDENT NON-EXECUTIVE DIRECTORS

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

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

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

BOARD COMMITTEES

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

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

Audit Committee

The audit committee consists of the three independent non-executive Directors, namely Mr. Kwauk Teh-Ming Walter, Mr. Zhang Longgen and Mr. Zhang Zhaodong. Mr. Kwauk Teh-Ming Walter, who has appropriate professional qualification and experience in accounting matters, is the chairman of the audit committee.

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

The members of the audit committee reviewed and discussed with the external auditors of the Company the consolidated financial statements of the Group for the year ended 31 December 2015, including the accounting principles and practices adopted by the Group and the report prepared by the external auditors covering major findings in the course of the audit. During the year ended 31 December 2015, the audit committee held three meetings.

Remuneration Committee

The remuneration committee consists of the three independent non-executive Directors, namely Mr. Kwauk Teh-Ming Walter, Mr. Zhang Longgen and Mr. Zhang Zhaodong. Mr. Zhang Zhaodong is the chairman of the remuneration committee.

The primary functions of the remuneration committee are to review and approve the management's remuneration proposals with reference to the Board's corporate goals and objects and make recommendations to the Board on the remuneration package of the individual executive Directors and senior management and on the establishment of a formal and transparent process for developing such remuneration policy. No executive Director takes part in any discussion on his own remuneration. The Company's objective for its remuneration policy is to maintain fair and competitive packages based on business requirements and industry practice. In order to determine the level of remuneration and fees paid to members of the Board, market rates and factors such as each Director's workload, performance, responsibility, job complexity and the Group's performance are taken into account. The remuneration committee held two meeting during the year ended 31 December 2015 and had reviewed the remuneration policy and structure relating to the Directors and senior management of the Company.

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

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

Further particulars regarding Directors' remuneration and the five highest paid employees as required to be disclosed pursuant to Appendix 16 to the Listing Rules are set out in notes 7 and 8 to the consolidated financial statements.

Nomination Committee

The nomination committee consists of one executive Director and two independent non-executive Directors, namely Mr. Kwok Kin Sun, Mr. Zhang Longgen and Mr. Kwauk Teh-Ming Walter. Mr. Kwok Kin Sun is the chairman of the nomination committee.

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

The nomination committee held two meetings during the year ended 31 December 2015 and reviewed the size, diversity and composition of the board.

CORPORATE GOVERNANCE FUNCTION

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

BOARD PROCEEDINGS

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

The table below sets out the attendance of each Director at the 2015 AGM and the meetings of the Board and the Board committees held during the year:

	Meetings attended/held				
	2015 AGM	Board	Audit Committee	Remuneration Committee	Nomination Committee
Executive Directors					
Mr. Kwok Kin Sun	1/1	4/4	N/A	N/A	2/2
Mr. Kwok Hon Fung	1/1	4/4	N/A	N/A	N/A
Ms. Yuan Mei Rong	0/1	4/4	N/A	N/A	N/A
Independent non-executive Directors					
Mr. Kwauk Teh-Ming Walter	0/1	3/4	2/3	2/2	2/2
Mr. Zhang Longgen	0/1	4/4	3/3	2/2	2/2
Mr. Zhang Zhaodong	1/1	4/4	3/3	2/2	N/A

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

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

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

APPOINTMENT AND RE-ELECTION OF DIRECTORS

Each of the executive Directors and independent non-executive Directors has entered into a service contract with the Company for a term of three years commencing from 16 July 2014 (the "Listing Date") subject to retirement and re- election at annual general meetings in accordance with the Company's articles of association.

In accordance with the Company's articles of association, a person may be appointed as a Director either by the Shareholders in a general meeting or by the Board. Any Directors appointed by the Board as additional Directors or to fill casual vacancies shall hold office until the next following general meeting, and are eligible for re-election by the Shareholders. In addition, all Directors are required to retire by rotation at least once every three years at the annual general meeting, and are eligible for re-election by the Shareholders.

BOARD DIVERSITY POLICY

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

SECURITIES TRANSACTIONS BY DIRECTORS

The Company has adopted the Model Code for Securities Transactions by Directors of Listed Issuers as set out in Appendix 10 to the Listing Rules (the "Model Code") as the Company's code of conduct regarding Directors' securities transactions. Upon specific enquiries, all Directors confirmed that they have complied with the relevant provisions of the Model Code throughout the year ended 31 December 2015.

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

COMPANY SECRETARY

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

During the financial year, the Company Secretary has complied with the relevant professional training requirement under Rule 3.29 of the Listing Rules. The biographical details of the Company Secretary is set out in the section headed "Biographical Details of Directors and Senior Management" on pages 28 to 30 in this annual report.

FINANCIAL REPORTING AND INTERNAL CONTROLS

Financial Reporting

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

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

Internal Controls

The Board recognises its responsibility to ensure the Company maintains a sound and effective internal control system and the Board has appointed Deloitte Touche Tohmatsu to conduct a review of the effectiveness of the internal control system of the Group during the financial year.

The Group's internal control system is designed to safeguard assets against misappropriation and unauthorised disposition and to manage operational risks. Review of the Group's internal controls covering major financial, operational and compliance controls, as well as risk management functions of different systems has been done on a systematic basis based on the risk assessments of the operations and controls. No major issue but areas for improvement have been identified. The Board and the audit committee of the Company considered that the key areas of the Group's internal control systems are reasonably implemented.

The total fees paid and payable to Deloitte Touche Tohmatsu during the financial year for the internal control review services was approximately RMB0.18 million.

EXTERNAL AUDITOR

KPMG has been appointed as the external auditor of the Company. The independence of the external auditor is recognised and annually reviewed by the Board and the audit committee of the Company. During the financial year, the fees paid and payable to KPMG in respect of its audit services provided to the Group was RMB2.7 million.

There was no disagreement between the Board and the audit committee of the Company on the selection and appointment of the external auditor during the year under review.

NON-COMPETE UNDERTAKING BY CONTROLLING SHAREHOLDERS

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

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

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

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

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

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

The Directors consider that the above corporate governance measures are sufficient to manage any potential conflict of interests between the Controlling Shareholders and their respective associates and the Group and to protect the interests of the Shareholders, in particular, the minority Shareholders. Each of the Controlling Shareholders has confirmed in writing to the Company that he/it has complied with the Deed of Non-competition. Based on such written confirmation from the Controlling Shareholders and other appropriate queries made by the independent non-executive Directors, the independent non-executive Directors considered that the Controlling Shareholders have complied with all the undertakings under the Deed of Non-competition for the financial year ended 31 December 2015.

COMMUNICATION WITH SHAREHOLDERS AND SHAREHOLDERS' RIGHTS

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

(i) Participation at general meeting

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

(ii) Enquiries and proposals to the Board

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

(iii) Convening extraordinary general meeting

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

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

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

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

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

CONSTITUTIONAL DOCUMENTS

There was no change in the constitutional documents of the Company during the year ended 31 December 2015.

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

Biographical Details of Directors and Senior Management

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

EXECUTIVE DIRECTORS

Mr. Kwok Kin Sun (郭建新), aged 60, is the founder of our Group and an executive Director. He is also the chairman of the Board. He is the father of Mr. Kwok Hon Fung (郭漢鋒), an executive Director. He was appointed as an executive Director on 23 December 2013 and the chairman of the nomination committee of the Company on 9 June 2014. Mr. Kwok has over 20 years of experience in the menswear industry and is responsible for the formulation of our overall corporate strategies, planning and business development. Mr. Kwok's vision, leadership and dedication to our Group's development since inception have been core to our success to date.

Mr. Kwok Hon Fung (郭漢鋒), aged 26, is the chief executive officer of our Group and an executive Director. He is responsible for the execution of corporate strategies and the overall management of our daily operations. He is the son of Mr. Kwok Kin Sun (郭建新), an executive Director. He joined our Group in January 2009 and was appointed as an executive Director on 12 February 2014. Mr. Kwok obtained a graduation certificate in business administration from East China Normal University (華東師範大學) in Shanghai in 2009.

Ms. Yuan Mei Rong (袁美榮), aged 62, is the vice general manager of our Group and an executive Director. She is primarily responsible for the finance and administrative functions of our Group. She joined our Group in October 1996 and was appointed as an executive Director on 12 February 2014.

INDEPENDENT NON-EXECUTIVE DIRECTORS

Mr. Kwauk Teh-Ming Walter (郭德明), aged 63, is an independent non-executive Director. He joined our Group on 9 June 2014 and was appointed as an independent non-executive Director and the chairman of the audit committee of the Company on 9 June 2014. Mr. Kwauk has over 25 years of experience in accounting. He is currently a consultant of Motorola Solutions, Inc. He is also an independent non-executive director of Alibaba Group Holding Limited (stock code: BABA), a company listed on the New York Stock Exchange and Sinosoft Technology Group Limited (中國擎天軟件科技集團有限公司) (stock code: 1297), a company listed on the Stock Exchange.

Mr. Kwauk served in KPMG from 1977 to 2002, holding a number of senior positions including the general manager of KPMG's joint venture accounting firm in Beijing, the managing partner in KPMG's Shanghai office and a partner in KPMG's Hong Kong office. Mr. Kwauk obtained a bachelor's degree in science in May 1975 and a licentiate's degree in accounting from the University of British Columbia in Canada in May 1977. He obtained a certificate of membership from the Hong Kong Institute of Certified Public Accountants in August 1981.

Biographical Details of Directors and Senior Management

Mr. Zhang Longgen (張龍根), aged 51, is an independent non-executive Director. Mr. Zhang joined our Group on 9 June 2014 and was appointed as an independent non-executive Director on 9 June 2014.

He is currently an independent director of China Ming Yang Wind Power Group Limited (中國明陽風電集團有限公司) (stock code: MY), a company listed on the New York Stock Exchange and a director of JinkoSolar Holding Co., Ltd. (晶科能源有限公司) (stock code: JKS), a company listed on the New York Stock Exchange.

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

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

Mr. Zhang Zhaodong (張照東), aged 41, is an independent non-executive Director. Mr. Zhang joined our Group on 9 June 2014 and was appointed as an independent non-executive Director and the chairman of the remuneration committee of our Company on 9 June 2014. He is currently an associate professor in the law faculty in Huaqiao University (華僑大學) and has been the legislative consultant of Xiamen Municipal Bureau of Legislative Affairs (廈門市法制局) which carries out research on the lawmaking of the Municipal Government of Xiamen, implements and inspects the responsibility mechanism of administration and law execution as well as the appraisal and examination system since July 2011. He was a deputy director of the All China Lawyers Association Labor and Social Security Law Committee (中華全國律師協會勞動與社會保障法專業委員會) since January 2009. Mr. Zhang obtained his bachelor's degree in law from Xiamen University (廈門大學) in the PRC in 1996, his master's degree in economics and law from Huaqiao University (華僑大學) in the PRC in 1999, his doctorate degree in international economics and law from Xiamen University (廈門大學) in September 2003 and his post-doctoral degree in economics from Fujian Normal University (福建師範大學) in 2009 in the PRC.

SENIOR MANAGEMENT

Mr. Chung Ming Kit (鍾明杰), aged 38, is the chief financial officer of our Group and the company secretary of our Company. He joined our Group in January 2014 and is primarily responsible for our overall financial management, company secretarial affairs and coordination of investor relations. Mr. Chung has over 12 years of corporate finance and accounting experience. Prior to joining our Group, he had worked in an international accounting firm and other companies listed on the main board of the Hong Kong Stock Exchange, NASDAQ and the Singapore Exchange Securities Trading Limited. Mr. Chung obtained his bachelor's degree in business administration in accounting from the Hong Kong University of Science and Technology in Hong Kong in November 2001. He is a holder of a Chartered Financial Analyst of the CFA Institute and a fellow member of the Hong Kong Institute of Certified Public Accountants.

Mr. Yan Hua (嚴華), aged 39, is a vice general manager of our Group and is responsible for market development and sales. Mr. Yan joined our Group in January 2009 and has over 12 years of experience in sales, operations and management. Prior to joining our Group, Mr. Yan worked at Fujian Septwolves Industry Co. Ltd. (七匹狼男裝有限公司) which engages in the design, manufacture, and sale of menswear, as a business supervisor responsible for business development from December 2001 to December 2004 and a marketing manager in charge of market development of Diking (China) Company Limited (帝牌（中國）有限公司) which engages in marketing, development and design, manufacturing and retail of apparels products. From March 2005 to May 2008, he was mainly responsible for market development and retail management. Mr. Yan obtained his bachelor's degree in economics from Shanxi University of Finance & Economics (山西財經大學) in the PRC in 2002.

Mr. Chen Jianxin (陳建鑫), aged 42, is the head of the production planning department. He joined our Group in October 1996. He became a supervisor of our Group in 1996 and was responsible for the manufacture of apparel products. Between 2004 and 2008, he served as the factory manager (廠長) for the production of business formal and business casual trousers. He was appointed as the head of the production planning department of Fordoo Clothing in 2009, and was responsible for the management of the department.

Mr. Chen Hailong (陳海龍), aged 39, is the head of the product development department. He joined our Group in November 2012 as a product development director and became the head of the product development department in February 2014. Prior to joining our Company, he worked as the head of the menswear department of Erdos Group (鄂爾多斯集團華南公司) from 2005 to 2008, and was responsible for the development of non-cashmere products. From 2008 to 2012, he served as the manager of the product development department of Flying Dragon Industry Shenzhen Ltd (深圳捷龍信實業有限公司) which is a brand agency, and was responsible for product development. Mr. Chen graduated from Northwest Textile Science and Technology University (西北紡織工學院) with his bachelor's degree in fashion design in the PRC in July 1999. He was accredited as "Top 10 designers of knitwear design" (中國第三屆毛織服裝設計十佳設計師) by China (Dalang) International Woolen Knitwear Fair (中國（大朗）國際毛織產品交易會) in 2004.

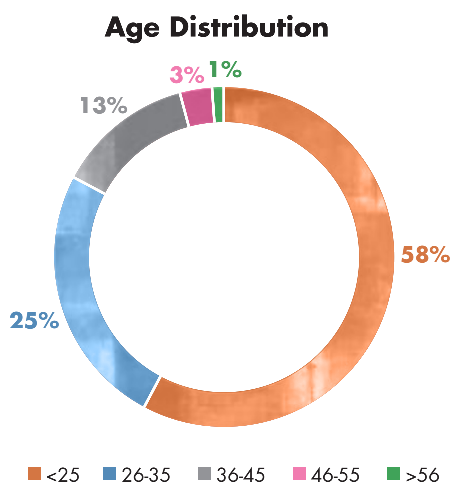
This report highlights the Group's strategic approach and commitment in pursuing four aspects of sustainability — Workplace Quality, Environmental Protection, Operating Practices and Community Involvement.

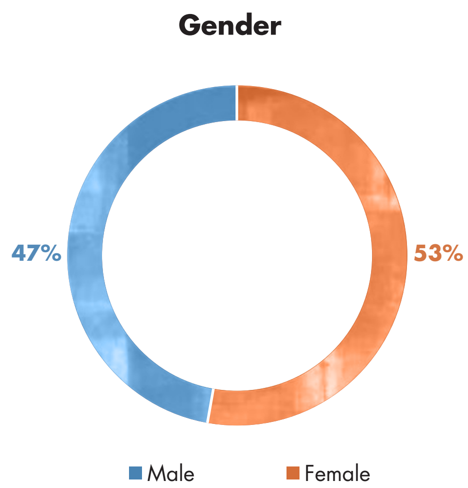
WORKPLACE QUALITY

Workforce

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

As at 31 December 2015, the Group had a total of 3,593 employees (2014: 3,580), of which almost all of our employees are based in Quanzhou, Fujian Province. The charts below show the demographics of the Group's workforce as at 31 December 2015.





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

The Group's monthly average staff turnover rate in 2015 was 1.3% (2014: 1.8%). The Group maintained a relatively low staff turnover rate, reflecting a high level of employee satisfaction and engagement with the Group, attributed to the following effective measures:

1. We offer free quality accommodation to 2,443 employees at our dormitory residence located at Quanzhou, Fujian Province, with a total gross floor area of approximately 27,269.9 sq.m. Designed with utmost comfort and recreation in mind, the dormitory residence features 34" LCD TVs, WiFi access, centralized air conditioning, separated bathrooms and water heaters, laundry and cooking facilities and extensive recreation facilities including basketball courts, a large ice skating rink, internet cafes, billiards room and gym rooms. We also have four dining restaurants offering a variety of dining options to our employees.

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

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

4. We cultivate a harmonious corporate culture which engenders high levels of staff commitment and motivation. In 2015, we organized various regular staff development programs, recreational activities and competitions to encourage staff integration and boost team spirit, such as corporate team outings held during the Labour Day holidays and National Day holidays, "Top 10 Singer Competition", "Fordoo Talent Show", "Mountaineering Competition", etc. We also organized activities for staff to have fun with their families, such as "Garden Fun Tour" held on New Year's Day, "Childhood Party" held on International Children's Day and "Mid-autumn mooncake game" held on the date of Mid-Autumn Festival.

Our staff had fun with their kids in the "Childhood Party" held on 1 June 2015, International Children's Day.

Staff members enjoyed the challenging group activities in "Garden Fun Tour" held on 1 January 2015.

The Group held various corporate team outings in 2015, such as the Xiamen outing held on National Day holiday.

We offer free accommodation to our employees as well as other recreational facilities like gym room.

Health and Safety

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

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

Development and training

The Group supports its staff to develop and enhance their knowledge, skills and work capability. Various training courses are regularly conducted to promote loyalty, occupational safety, sales fairs planning, quality control, customer servicing skills and product knowledge. In 2015, 1,622 hours have been recorded in staff training.

The Group has 5 different employee training programs:

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

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

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

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

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

Our staff actively involved in a motivational seminar, inspiring employee motivation and boosting their willpower.

Mountaineering Competition held in Qingyuan Mountain is one of the staff development programs that strengthen perseverance.

Labour standards

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

ENVIRONMENTAL PROTECTION

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

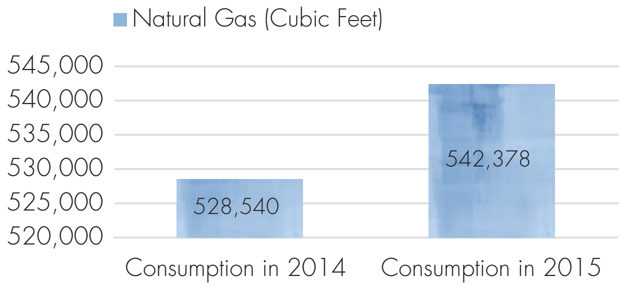
Use of resources and emission

The main resources and energy used in the process of the Group's production are natural gas, electricity and water. Our energy consumption is mainly for the production of men's trousers, apparel products and fabrics. The main wastes generated from production are waste gases and waste fabrics. The waste gases are mainly carbon monoxide, carbon dioxide and nitrogen oxides.

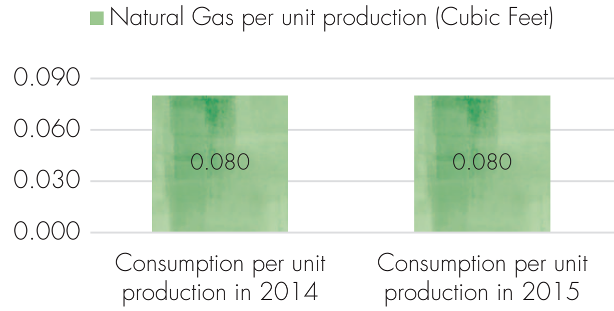
Our main energy consumption and gas emission in the last two years was as follows:

Total energy consumption and consumption per unit production

Total Consumption - Natural Gas

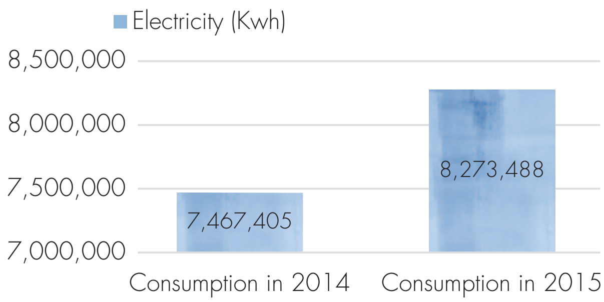


Consumption per unit production - Natural Gas

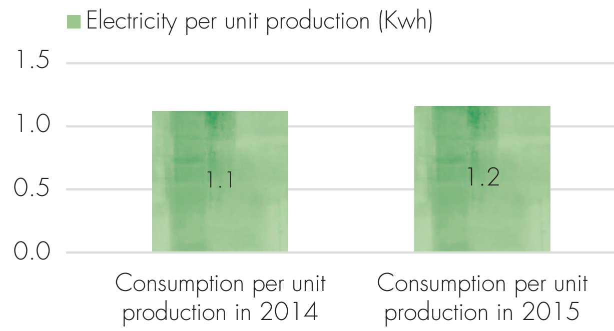


Notes: Natural gas was used for boiler heating

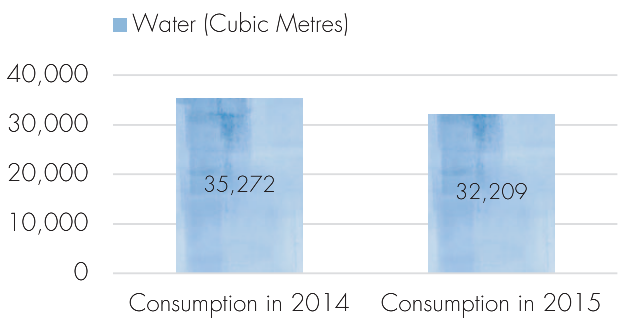
Total Consumption - Electricity



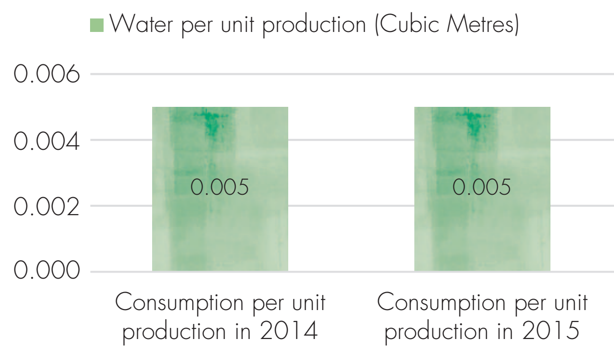
Consumption per unit production - Electricity



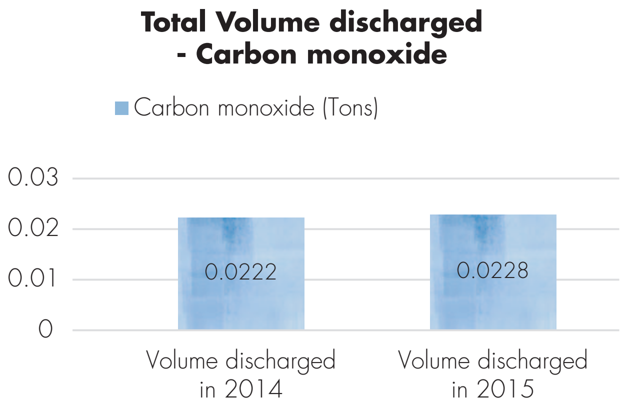
Total Consumption - Water

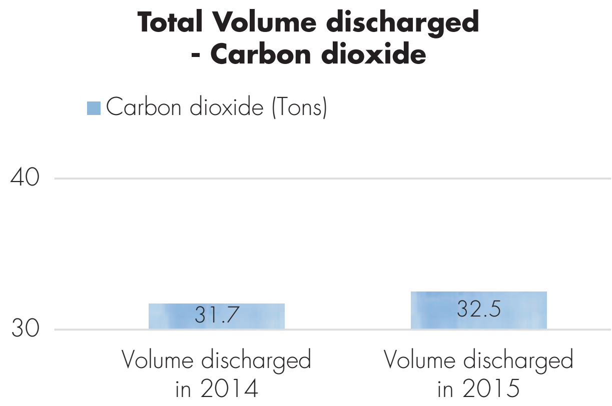


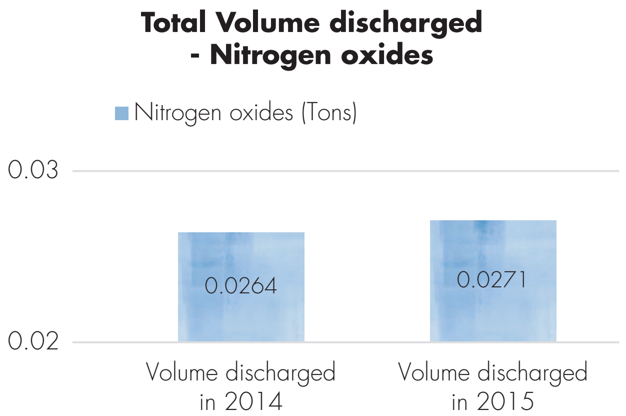
Consumption per unit production - Water



Total volume of waste gases emissions







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

Measures in energy conservation and emission reduction

The Group implemented certain measures with respect to safeguarding natural resources, optimizing energy consumption and reducing environmental pollution.

Production Efficiency

We pursue a high degree of automation in our manufacturing process which enables us to enhance production efficiency significantly and ensure the accuracy and consistency of our production as well as improve the product quality. Almost all of our production equipment are purchased from highly recognized international equipment providers. For example, our sewing machines are from a leading German brand, which we use to sew zippers, fly fronts and side seams and attach pockets of trousers; our plate cutting machines are from a leading U.S. equipment manufacturer, which replace manual cutting; and our seaming machines are from a reputable U.S. equipment manufacturer.

Our automated plate cutting machines are from a leading U.S. equipment manufacturer, which replace manual cutting.

Waste Gas Emission Reduction

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

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

Electricity management

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

Solid waste separation and recycling program

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

OPERATING PRACTICES

Supply Chain Management

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

- Raw material quality — The quality of raw materials is in compliance with GB18401, a national standard for all textile products, as well as other industry standards.
- On-time delivery and transportation — The products we ordered are delivered to our warehouses or our designated places on time.
- Others — Other considerations include qualifications, business scale, production capacity, product quality and industry reputation of the suppliers.

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

Product Responsibility

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

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

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

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

As of 31 December 2015, we had a team of 35 staff members in our quality control department. Our quality control system includes the following processes:

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

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

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

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

Anti-Corruption

To combat corruption, the Group has established its "Self-Discipline Regulations" and communicated with its employees its stance against corruption. In 2015, we also conducted seminars to senior management and directors in respect of the rules and regulations relating to anti-corruption as set out by the government of Hong Kong and the PRC.

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

COMMUNITY INVOLVEMENT

Greening the Environment

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

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

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

BUSINESS REVIEW

A review of the business of the Group during 2015 and a discussion on the Group's future business development are set out in the Chairman's Statement and Management Discussion and Analysis on pages 4 to 18 of this Annual Report.

PRINCIPAL RISKS AND UNCERTAINTIES

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

(i) Fashion risk

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

(ii) Intense competition

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

(iii) Macroeconomic environment

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

(iv) Supply chain

We engage independent third-party manufacturers to produce our fabrics and raw materials, all accessory products and certain apparel products. Any disruption in the supply of fabrics, raw materials and products from suppliers may cause problems in our supply chain. We do not have long-term contracts with any of our suppliers and we may need to compete with other companies for fabrics, raw materials and other products. Nevertheless, we have developed long-standing and good relationships with a number of our vendors so as to minimize the impact from any supply disruptions and ensure we can locate alternative suppliers of comparable quality at a reasonable price all the time. For the year ended 31 December 2015, 23% (2014: 26%) of our products were produced by our top five suppliers.

(v) Credit risk of our distributors

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

(vi) Reputational risk

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

(vii) Weather

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

KEY RELATIONSHIPS

(i) Employees

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

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

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

(ii) Suppliers

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

(iii) Distributors

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

ENVIRONMENTAL POLICIES

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

PRINCIPAL PLACE OF BUSINESS

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

Report of the Directors

PRINCIPAL ACTIVITIES

The principal activities of the Group are manufacturing and wholesaling of menswear in the mainland China. The principal activities and other particulars of the subsidiaries are set out in note 15 to the consolidated financial statements.

MAJOR CUSTOMERS AND SUPPLIERS

During the year ended 31 December 2015, aggregate sales to the Group's largest and five largest customers accounted for approximately 14% (2014: 13%) and 31% (2014: 31%), respectively, of the Group's total revenue for the year.

Aggregate purchases from the Group's largest and five largest raw material suppliers accounted for approximately 5% (2014: 6%) and 23% (2014: 26%), respectively, of the Group's total purchases of raw materials for the year ended 31 December 2015.

Aggregate purchases from the Group's largest and five largest suppliers of OEM products accounted for approximately 10% (2014: 14%) and 26% (2014: 37%), respectively, of the Group's total purchases from OEM contractors for the year ended 31 December 2015.

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

FIVE-YEAR FINANCIAL SUMMARY

A summary of the results and of the assets and liabilities of the Group for the latest five financial years is set out on page 104 of this annual report. This summary does not form part of the audited consolidated financial statements.

FINANCIAL STATEMENTS

The profit of the Group for the year ended 31 December 2015 and the state of the Company's and the Group's affairs as at that date are set out in the consolidated financial statements on pages 54 to 103 of the annual report.

PROPERTY, PLANT AND EQUIPMENT

Details of movements in property, plant and equipment of the Group during the year ended 31 December 2015 are set out in note 10 to the consolidated financial statements. An independent property valuer has valued the property interests of the Group, including the land use rights to the parcels of land and the building ownership of completed buildings, structures and buildings under construction and was of the opinion that the market value of the property interests of the Group was in an aggregate amount of RMB589.1 million as of 31 March 2014. Details of valuation of property interests of the Group as of 31 March 2014 are set out in Appendix IV to the Prospectus. Should our property interests be stated at such valuation as at 31 December 2015, the amount of additional depreciation and amortization charged against the consolidated statement of comprehensive income would be approximately RMB3.8 million.

RESERVES

Details of movements in reserves of the Company and the Group are set out in note 24 to the consolidated financial statements and in the consolidated statement of changes in equity, respectively.

As at 31 December 2015, the Company's reserves available for distribution amounted to approximately HK$229.5 million.

DIVIDEND

No interim dividend was paid during the year ended 31 December 2015. The Directors resolved to recommend the payment of a final dividend of HK22 cents (equivalents to approximately RMB18 cents) per ordinary share in respect of the year ended 31 December 2015.

BORROWINGS
Particulars of borrowings of the Group as at 31 December 2015 are set out in note 20 to the consolidated financial statements.

CHARITABLE DONATIONS
There was no charitable donations made by the Group during the financial year (2014: RMB792,350).

NON-CURRENT ASSETS
Details of acquisitions and other movements of non-current assets (including property, plant and equipment, investment properties, lease prepayments and intangible assets) are set out in notes 10 to 13 to the consolidated financial statements.

SHARE CAPITAL
Details of movements in the share capital of the Company during the financial year are set out in note 24 to the consolidated financial statements.

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

PRE-EMPTIVE RIGHTS
There are no provisions for pre-emptive rights under the Company's articles of association or the laws of the Cayman Islands where the Company is incorporated.

PURCHASE, SALE OR REDEMPTION OF THE COMPANY'S LISTED SECURITIES
Neither the Company nor any of its subsidiaries had purchased, redeemed or sold any of the Company's listed securities during the year ended 31 December 2015.

DIRECTORS
The Directors during the financial year were:

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

Independent Non-Executive Directors
Mr. Kwauk Teh-Ming Walter
Mr. Zhang Longgen
Mr. Zhang Zhaodong

Each of the executive Directors and independent non-executive Directors has entered into a service contract with the Company for a term of three years commencing from the Listing Date subject to his retirement and re-election at annual general meetings in accordance with the Company's articles of association. The details of the remuneration of each of the Directors are revealed on note 7 to the consolidated financial statements.

Details of the Directors' biographies have been set out on pages 28 to 30 of this annual report. In accordance with article 84 of the Company's articles of association, Mr. Kwok Hon Fung and Mr. Zhang Longgen will retire from the Board by rotation at the 2016 AGM and, being eligible, offer themselves for re-election.

No Director proposed for re-election at the 2016 AGM has an unexpired service contract with the Group which is not determinable by the Company or any of its subsidiaries within one year without payment of compensation, other than statutory compensation.

REMUNERATION POLICY

The remuneration policy and remuneration packages of the executive Directors and senior management are reviewed by the remuneration committee of the Company which are detailed in the paragraph headed "Remuneration Committee" under the corporate governance report on page 21.

MANAGEMENT CONTRACTS

No contracts concerning the management and administration of the whole or any substantial part of the business of the Group were entered into or in existence during the year ended 31 December 2015.

CONFIRMATION OF INDEPENDENCE

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

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

As at 31 December 2015, the interests and short positions of each Director and chief executive of the Company in the Shares, underlying Shares and debentures of the Company and its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance ("SFO")), as recorded in the register required to be kept by the Company pursuant to Section 352 of the SFO, or as otherwise notified to the Company and the Stock Exchange pursuant to the Model Code were as follows:

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

Name	Position	Nature of interest	Number of Shares	Approximate percentage of shareholding
Mr. Kwok Kin Sun(1)	Long	Interest in a controlled corporation	244,800,000	51.00%
Mr. Kwok Hon Fung(2)	Long	Interest in a controlled corporation	50,400,000	10.50%
Ms. Yuan Mei Rong(3)	Long	Beneficial owner	600,000(3)	0.125%
Mr. Kwauk Teh-Ming Walter(3)	Long	Beneficial owner	300,000(3)	0.0625%
Mr. Zhang Longgen(3)	Long	Beneficial owner	300,000(3)	0.0625%
Mr. Zhang Zhaodong(3)	Long	Beneficial owner	300,000(3)	0.0625%

Notes:

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

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

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

Save as disclosed above, as at 31 December 2015, none of the Directors and chief executive of the Company and their associates had registered an interest or a short position in the Shares, underlying Shares or debentures of the Company or any of its associated corporations that was required to be recorded pursuant to Section 352 of the SFO, or as otherwise notified to the Company and the Stock Exchange pursuant to the Model Code.

DIRECTORS' RIGHT TO ACQUIRE SHARE OR DEBENTURES

Save as disclosed in the section headed "Share Option Scheme" below, during the year ended 31 December 2015, no rights to acquire benefits by means of acquisition of Shares in or debenture of the Company were granted to any Directors or their respective spouse or minor children, or were any such rights excised by them; nor was the Company, or any of its subsidiaries a party to any arrangement which enabled the Directors to acquire such rights in and other body corporate.

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

As at 31 December 2015, so far as the Directors are aware, having made all reasonable enquiries, the following table sets out interests of 5% or more of the issued share capital of the Company (other than the interests of the Directors as disclosed above) as recorded in the register of interests required to be kept by the Company pursuant to Section 336 of Part XV of the SFO:

Name	Position	Nature of interest	Number of Shares	Approximate percentage of shareholding
Ms. Wong Tung Yam[1]	Long	Interest of spouse	244,800,000	51.00%
Everkept	Long	Beneficial owner	244,800,000	51.00%
Equal Plus	Long	Beneficial owner	50,400,000	10.50%
Mr. Kwok Hon Pan[2]	Long	Interest in a controlled corporation	45,612,000	9.50%
Key Tide	Long	Beneficial owner	45,612,000	9.50%

Notes:

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

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

Save as disclosed above, as at 31 December 2015, the Company was not aware of any person or corporation having an interest or a short position in the Shares and underlying Shares of the Company which were required to be disclosed to the Company under the provisions of Division 2 and 3 of Part XV of the SFO, or which were recorded in the register required to be kept under section 336 of the SFO.

CONNECTED TRANSACTIONS

Material related party transactions entered into by the Group during the year ended 31 December 2015, which did not constitute connected transactions (as defined under the Listing Rules) are disclosed in note 27 to the consolidated financial statements.

DIRECTORS' INTERESTS IN CONTRACTS

Save as disclosed in note 27 to the consolidated financial statements, there was no contract of significance to which the Company, or any of its holding company, subsidiaries or fellow subsidiaries was a party, and in which a Director had a material interest, subsisted for the year ended 31 December 2015.

TRANSACTIONS, ARRANGEMENT OR CONTRACTS OF SIGNIFICANCE

During the financial year, save as disclosed in note 27 to the consolidated financial statements, there had been no transaction, arrangement or contract of significance in which a Director or an entity connected with a Director is or was materially interested, either directly or indirectly.

COMPETING BUSINESS

None of the Directors had any interest in any competing business with the Company or any of its subsidiaries during the year. Each of Mr. Kwok Kin Sun and Everkept Limited (the Controlling Shareholders) has confirmed to the Company that he/it has complied with the non- compete undertaking given by them to the Company on 9 June 2014. The independent non-executive Directors have reviewed the status of compliance and enforcement of the non-compete undertaking and confirmed that all the undertakings thereunder have been complied with throughout the year ended 31 December 2015.

SHARE OPTION SCHEME

The Company adopted a share option scheme on 9 June 2014 (the "Share Option Scheme") for the purpose of rewarding certain Eligible Persons (as defined below) for their past contributions and attracting and retaining, or otherwise maintaining on-going relationships with, such Eligible Persons (as defined below) who are significant to and/or whose contributions are or will be beneficial to the performance, growth or success of the Group. Subject to the earlier termination of the Share Option Scheme in accordance with the rules thereof, the Share Option Scheme shall remain in force for a period of ten years commencing on 9 June 2014. As at 31 December 2015, the remaining life of the Share Option Scheme was approximately 8 years and 5 months.

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

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

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

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

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

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

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

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

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

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

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

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

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

As at 31 December 2015 and the date of this report, no option granted under the Share Option Scheme had vested and become exercisable.

COMPLIANCE WITH THE CORPORATE GOVERNANCE CODE

In the opinion of the Directors, the Company has complied with all applicable code provisions of the CG Code as set out in Appendix 14 to the Listing Rules during the year ended 31 December 2015, except for a deviation from Code provision A.6.7.

Under Code provision A.6.7, independent non-executive directors and other non-executive directors should attend general meetings and develop a balanced understanding of the view of the shareholders. Due to other pre-arranged business commitments, Mr. Kwauk Teh-Ming Walter and Mr. Zhang Longgen, both independent non-executive Directors, were not able to attend the 2015 AGM.

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

RETIREMENT SCHEMES

The Group participates in defined contribution retirement benefit schemes organized by the PRC municipal and provincial government authorities for the Group's eligible employees in the PRC, and operates a Mandatory Provident Fund scheme for the employees in Hong Kong. Particulars of these retirement plans are set out in note 22 to the consolidated financial statements.

UPDATES ON COMPLIANCE AND REGULATORY MATTERS

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

The Company will, on a regular basis, update the Bureau and the Shareholders on the progress of the Five-year Scheme, and settle the unsubscribed social insurance contribution with any employees as required by them or by any relevant government authority. Our Directors have reviewed and considered that the Company has fully made the social contributions for the year ended 31 December 2015 in accordance with the Five-year Scheme.

The Group's operations are mainly carried out by the Company's subsidiaries in the mainland China while the Company itself is listed on the Stock Exchange. Our establishment and operations accordingly shall comply with relevant laws and regulations in the mainland China and Hong Kong. During the year ended 31 December 2015 and up to the date of this report, we have complied with all the relevant laws and regulations in the mainland China and Hong Kong, including those governing labor and safety and emissions control. Our Directors are not aware of any legal, arbitration or administrative proceedings against the Company that will have a material adverse effect on our business, financial condition or results of operations.

EVENTS AFTER THE REPORT PERIOD

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

AUDITOR

The consolidated financial statements for the year ended 31 December 2015 have been audited by KPMG, who shall retire and, being eligible, offer themselves for re-appointment. A resolution for the re-appointment of KPMG as auditor of the Company is to be proposed at the 2016 AGM.

On behalf of the Board

Kwok Kin Sun
Chairman

Hong Kong
8 March 2016

Independent Auditor's Report

KPMG

Independent auditor's report to the shareholders of
China Fordoo Holdings Limited
(Incorporated in the Cayman Islands with limited liability)

We have audited the consolidated financial statements of China Fordoo Holdings Limited (the "Company") and its subsidiaries (together the "Group") set out on pages 54 to 103, which comprise the consolidated statement of financial position as at 31 December 2015, the consolidated statement of profit or loss and other comprehensive income, the consolidated statement of changes in equity and the consolidated cash flow statement for the year then ended and a summary of significant accounting policies and other explanatory information.

DIRECTORS' RESPONSIBILITY FOR THE CONSOLIDATED FINANCIAL STATEMENTS

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

AUDITOR'S RESPONSIBILITY

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

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

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

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

Independent Auditor's Report

OPINION

In our opinion, the consolidated financial statements give a true and fair view of the financial position of the Group as at 31 December 2015 and of the Group's financial performance and cash flows for the year then ended in accordance with International Financial Reporting Standards and have been properly prepared in compliance with the disclosure requirements of the Hong Kong Companies Ordinance.

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

8 March 2016

Consolidated Statement of Profit or Loss and Other Comprehensive Income

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

	Note	2015 RMB'000	2014 RMB'000
Revenue	3	**1,873,709**	1,672,410
Cost of sales		**(1,197,626)**	(1,081,337)
Gross profit		**676,083**	591,073
Other income	4	**19,209**	12,167
Selling and distribution expenses		**(120,514)**	(105,480)
Administrative and other operating expenses		**(139,954)**	(86,461)
Profit from operations		**434,824**	411,299
Finance costs	5(a)	**(22,667)**	(24,214)
Profit before taxation	5	**412,157**	387,085
Income tax	6	**(123,490)**	(116,451)
Profit for the year		**288,667**	270,634
Other comprehensive income for the year			
Items that may be reclassified subsequently to profit or loss:			
Exchange differences on translation of financial statements of subsidiaries outside the mainland of the People's Republic of China (the "PRC")		**(8,029)**	(1,610)
Total comprehensive income for the year		**280,638**	269,024
Earnings per share (RMB cents)			
— Basic and diluted	9	**60**	65

The notes on pages 59 to 103 form part of these financial statements. Details of dividends payable to shareholders of the Company attributable to the profit for the year are set out in note 24(b)(i).

Consolidated Statement of Financial Position

At 31 December 2015
(Expressed in Renminbi)

	Note	2015 RMB'000	2014 RMB'000
Non-current assets			
Property, plant and equipment	10	**396,126**	396,813
Investment properties	11	**26,117**	27,304
Lease prepayments	12	**274,456**	281,565
Intangible assets	13	**3,312**	–
Prepayments		**–**	4,444
Pledged bank deposits	14	**47,100**	–
Deferred tax assets	21(b)	**13,620**	–
		760,731	710,126
Current assets			
Inventories	16	**63,569**	57,275
Trade and other receivables	17	**696,750**	728,328
Fixed deposits held at bank with original maturity over three months	18	**142,682**	195,873
Cash and cash equivalents	18	**514,051**	183,254
		1,417,052	1,164,730
Current liabilities			
Trade and other payables	19	**233,133**	244,677
Bank borrowings	20	**348,000**	345,000
Current taxation	21(a)	**31,794**	26,341
		612,927	616,018
Net current assets		**804,125**	548,712
Total assets less current liabilities		**1,564,856**	1,258,838
Non-current liabilities			
Bank borrowings	20	**146,276**	–
Deferred tax liabilities	21(b)	**29,440**	14,240
		175,716	14,240
Net assets		**1,389,140**	1,244,598

The notes on pages 59 to 103 form part of these financial statements.

Consolidated Statement of Financial Position

At 31 December 2015
(Expressed in Renminbi)

	Note	2015 RMB'000	2014 RMB'000
Capital and reserves			
Share capital	24	**3,811**	3,811
Reserves	24	**1,385,329**	1,240,787
Total equity		**1,389,140**	1,244,598

Approved and authorised for issue by the board of directors on 8 March 2016.

Kwok Kin Sun
Chairman

Kwok Hon Fung
Director

The notes on pages 59 to 103 form part of these financial statements.

Consolidated Statement of Changes in Equity

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

	Note	Share capital RMB'000 Note 24(c)	Share premium RMB'000 Note 24(d)(i)	Statutory reserve RMB'000 Note 24(d)(ii)	Capital reserve RMB'000 Note 24(d)(iii)	Exchange reserve RMB'000 Note 24(d)(iv)	Share-based payment reserve RMB'000 Note 24(d)(v)	Retained profits RMB'000	Total equity RMB'000
At 1 January 2014		11	–	27,699	–	–	8,106	546,584	582,400
Changes in equity for 2014:									
Profit for the year		–	–	–	–	–	–	270,634	270,634
Other comprehensive income for the year	24(d)(iv)	–	–	–	–	(1,610)	–	–	(1,610)
Total comprehensive income		–	–	–	–	(1,610)	–	270,634	269,024
Elimination of capital on Reorganisation	24(c)(ii)	(11)	–	–	–	–	–	–	(11)
Waiver of amount due to the ultimate controlling party	24(d)(iii)	–	–	–	39,023	–	–	–	39,023
Issue of shares upon initial public offering, net of issuing costs	24(c)(iv)	953	347,643	–	–	–	–	–	348,596
Capitalisation issue	24(c)(iv)	2,858	(2,858)	–	–	–	–	–	–
Appropriation to statutory reserve	24(d)(ii)	–	–	30,471	–	–	–	(30,471)	–
Equity-settled share-based payments for non-employees	24(d)(v)	–	–	–	–	–	5,566	–	5,566
Share issued pursuant to equity-settled share-based payments for non-employees	24(d)(v)	–	13,672	–	–	–	(13,672)	–	–
At 31 December 2014 and 1 January 2015		3,811	358,457	58,170	39,023	(1,610)	–	786,747	1,244,598
Changes in equity for 2015:									
Profit for the year		–	–	–	–	–	–	288,667	288,667
Other comprehensive income for the year	24(d)(iv)	–	–	–	–	(8,029)	–	–	(8,029)
Total comprehensive income		–	–	–	–	(8,029)	–	288,667	280,638
Appropriation to statutory reserve	24(d)(ii)	–	–	35,638	–	–	–	(35,638)	–
Dividends approved in respect of previous year	24(b)(ii)	–	(136,360)	–	–	–	–	–	(136,360)
Equity-settled share-based payments for employees	24(d)(v)	–	–	–	–	–	264	–	264
At 31 December 2015		3,811	222,097	93,808	39,023	(9,639)	264	1,039,776	1,389,140

The notes on pages 59 to 103 form part of these financial statements.

Consolidated Cash Flow Statement

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

	Note	2015 RMB'000	2014 RMB'000
Operating activities			
Cash generated from operations	18(b)	**460,407**	320,992
Income tax paid		**(116,457)**	(97,732)
Net cash generated from operating activities		**343,950**	223,260
Investing activities			
Payment for the purchase of property, plant and equipment and intangible assets		**(19,577)**	(11,004)
Payment for the purchase of lease prepayments		**–**	(209,693)
Proceeds from disposal of property, plant and equipment and lease prepayments		**117**	61,617
Decrease/(increase) in fixed deposit held at banks with original maturity over three months		**60,683**	(170,353)
Increase in pledged bank deposits		**(47,100)**	–
Interest received		**2,380**	997
Net cash used in investing activities		**(3,497)**	(328,436)
Financing activities			
Proceeds from bank borrowings		**524,276**	584,372
Repayment of bank borrowings		**(375,000)**	(596,372)
Net repayment to ultimate controlling party		**–**	(90,393)
Interest paid		**(22,572)**	(24,222)
Net proceeds from issue of shares upon initial public offering, net of issuing costs		**–**	352,014
Dividends paid		**(136,360)**	–
Net cash (used in)/generated from financing activities		**(9,656)**	225,399
Net increase in cash and cash equivalents		**330,797**	120,223
Cash and cash equivalents at 1 January		**183,254**	63,031
Cash and cash equivalents at 31 December	18(a)	**514,051**	183,254

The notes on pages 59 to 103 form part of these financial statements.

(Expressed in Renminbi unless otherwise indicated)

1 GENERAL INFORMATION

China Fordoo Holdings Limited (the "Company") was incorporated in the Cayman Islands on 23 December 2013 as an exempted company with limited liability under the Company Law, Cap 22 (Law 3 of 1961 as consolidated and revised) of the Cayman Islands. The Company and its subsidiaries hereinafter are collectively referred to as the "Group".

Pursuant to a group reorganisation completed on 23 January 2014 (the "Reorganisation") to rationalise the group structure in preparation of the listing of the Company's shares on the Main Board of the Stock Exchange of Hong Kong Limited (the "Stock Exchange"), the Company became the holding company of all of its subsidiaries. The Company's shares were listed on the Stock Exchange on 16 July 2014.

The Reorganisation has been accounted for in accordance with the principle similar to a reverse acquisition as set out in International Financial Reporting Standard 3, *Business Combinations*. The Company acquired the shares of Bigtime Global Limited, which then subscribed/acquired the entire share capital of Tiger Capital Fashion (Holdings) Company Limited, resulted in the Company becoming the holding company of Tiger Capital Fashion (Holdings) Company Limited and its subsidiaries. The consolidated financial statements have been prepared as a continuation of Tiger Capital Fashion (Holdings) Company Limited and the assets and liabilities of Tiger Capital Fashion (Holdings) Company Limited and its subsidiaries are recognised and measured at their historical carrying values prior to the Reorganisation.

2 SIGNIFICANT ACCOUNTING POLICIES

(a) Statement of compliance

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

These financial statements also comply with the applicable disclosure provisions of the Rules Governing the Listing of Securities on the Stock Exchange. A summary of the significant accounting policies adopted by the Group is set out below.

The IASB has issued certain new and revised IFRSs that are first effective or available for early adoption for the current accounting period of the Group and the Company. Note 2(c) provides information on the new and revised IFRSs that are relevant to the Group for the current and prior accounting periods reflected in these financial statements.

(b) Basis of preparation of the financial statements

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

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

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

(Expressed in Renminbi unless otherwise indicated)

2 SIGNIFICANT ACCOUNTING POLICIES (Continued)

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

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

Judgements made by management in the application of IFRSs that have significant effect on the consolidated financial statements and major sources of estimation uncertainty are discussed in note 29.

(c) New and revised IFRSs that are first effective for the current accounting period

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

- Amendments to IAS 19, Employee benefits: Defined benefit plans: Employee contributions
- Annual Improvements to IFRSs 2010–2012 Cycle
- Annual Improvements to IFRSs 2011–2013 Cycle

These amendments to IFRSs have no material impact on the Group's consolidated financial statements as they were consistent with policies already adopted by the Group. The Group has not adopted any amendment to IFRSs that is not yet effective for the current accounting period.

(d) Subsidiaries

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

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

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

(e) Property, plant and equipment

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

The cost of self-constructed items of property, plant and equipment includes the cost of materials, direct labour, the initial estimate, where relevant, of the costs of dismantling and removing the items and restoring the site on which they are located, and an appropriate proportion of production overheads and borrowing costs (see note 2(t)).

No depreciation is provided in respect of construction in progress.

(Expressed in Renminbi unless otherwise indicated)

2 SIGNIFICANT ACCOUNTING POLICIES (Continued)

(e) Property, plant and equipment (Continued)

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

- Buildings held for own use which are situated on leasehold land are depreciated over the shorter of the unexpired term of the lease and their estimated useful lives, being no more than 30 years after the date of completion.
- Plant and machinery 10 years
- Motor vehicles 5 years
- Furniture and fixtures 5 years

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

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

(f) Investment properties

Investment properties are property owned or held under a leasehold interest to earn rental income and/or for capital appreciation. Investment properties are measured at cost less accumulated depreciation and impairment losses (see note 2(i)(ii)). Depreciation is recognised in profit or loss on a straight-line basis over the shorter of the unexpired term of lease and its estimated useful life, being no more than 30 years after the date of completion.

(g) Lease prepayments

Lease prepayments represent cost of acquiring land use rights paid to the PRC's government authorities. Land use rights are stated at cost less accumulated amortisation and impairment losses (see note 2(i)(ii)). Amortisation is charged to profit or loss on a straight-line basis over the respective periods of the rights which are 38–41 years.

(h) Intangible assets

Intangible assets that are acquired by the Group are stated at cost less accumulated amortisation (where the estimated useful life is finite) and impairment losses (see note 2(i)(ii)).

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

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

(Expressed in Renminbi unless otherwise indicated)

2 SIGNIFICANT ACCOUNTING POLICIES (Continued)

(i) Impairment of assets

(i) Impairment of trade and other receivables

Trade and other receivables that are stated at cost or amortised cost are reviewed at the end of report period to determine whether there is objective evidence of impairment. Objective evidence of impairment includes observable data that comes to the attention of the Group about one or more of the following loss events:

— significant financial difficulty of the debtor;

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

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

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

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

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

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

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

(Expressed in Renminbi unless otherwise indicated)

2 SIGNIFICANT ACCOUNTING POLICIES (Continued)

(i) Impairment of assets (Continued)

(ii) Impairment of other assets

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

- property, plant and equipment;
- construction in progress;
- investment properties;
- lease prepayments;
- intangible assets; and
- investments in subsidiaries in the Company's statement of financial position.

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

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

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

- ***Reversals of impairment losses***
  An impairment loss is reversed if there has been a favourable change in the estimates used to determine the recoverable amount. A reversal of impairment loss is limited to the asset's carrying amount that would have been determined had no impairment loss been recognised in prior years. Reversals of impairment losses are credited to profit or loss in the year in which the reversals are recognised.

(Expressed in Renminbi unless otherwise indicated)

2 SIGNIFICANT ACCOUNTING POLICIES (Continued)

(j) Inventories

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

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

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

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

(k) Trade and other receivables

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

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

(l) Interest-bearing borrowings

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

(m) Trade and other payables

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

(n) Cash and cash equivalents

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

(Expressed in Renminbi unless otherwise indicated)

2 SIGNIFICANT ACCOUNTING POLICIES (Continued)

(o) Employee benefits

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

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

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

(ii) Share-based payments for employees

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

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

(p) Income tax

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

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

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

(Expressed in Renminbi unless otherwise indicated)

2 SIGNIFICANT ACCOUNTING POLICIES (Continued)

(p) Income tax (Continued)

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

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

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

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

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

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

  — the same taxable entity; or

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

(Expressed in Renminbi unless otherwise indicated)

2 SIGNIFICANT ACCOUNTING POLICIES (Continued)

(q) Provisions and contingent liabilities

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

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

(r) Revenue recognition

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

(i) Sale of goods

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

(ii) Interest income

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

(iii) Government grants

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

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

(iv) Rental income from operating leases

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

(Expressed in Renminbi unless otherwise indicated)

2 SIGNIFICANT ACCOUNTING POLICIES (Continued)

(s) Translation of foreign currencies

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

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

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

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

(t) Borrowing costs

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

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

(u) Research and development expenditure

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

(v) Dividends

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

(Expressed in Renminbi unless otherwise indicated)

2 SIGNIFICANT ACCOUNTING POLICIES (Continued)

(w) Related parties

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

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

(ii) has significant influence over the Group; or

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

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

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

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

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

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

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

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

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

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

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

(x) Segment reporting

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

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

The Group operates in a single business, manufacturing and wholesaling of menswear in the PRC. Accordingly, no segmental analysis is presented.

(Expressed in Renminbi unless otherwise indicated)

3 REVENUE

The principal activities of the Group are manufacturing and wholesaling of menswear in the mainland China. Revenue represents the sales value of goods sold less returns, discounts and VAT.

Revenue by product type is as follows:

	2015 RMB'000	2014 RMB'000
Men's trousers	**1,045,942**	963,223
Men's tops	**791,918**	693,562
Accessories	**16,549**	15,625
Fabrics	**19,300**	–
	1,873,709	1,672,410

The Group had one customer with whom transaction has exceeded 10% of the Group's revenue for the year ended 31 December 2015 (2014: one). The amount of sales to this customer amounted to approximately RMB266,311,000 for the year ended 31 December 2015 (2014: RMB210,255,000). Details of concentrations of credit risk arising from customers are set out in note 25(a).

4 OTHER INCOME

	2015 RMB'000	2014 RMB'000
Interest income	**6,176**	2,202
Rental income from investment properties less direct outgoings of RMB88,000 for the year ended 31 December 2015 (2014: RMB88,000)	**1,574**	1,573
Government grants	**3,993**	8,274
Net foreign exchange gain	**7,404**	311
Loss on disposal of property, plant and equipment and lease prepayments	**(43)**	(268)
Others	**105**	75
	19,209	12,167

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

(Expressed in Renminbi unless otherwise indicated)

5 PROFIT BEFORE TAXATION

Profit before taxation is arrived at after charging:

		2015 RMB'000	2014 RMB'000
(a)	Finance costs:		
	Interest on bank borrowings	**22,667**	24,214
(b)	Staff costs:		
	Contributions to defined contribution retirement plans *(note 22)*	**2,471**	1,842
	Salaries, wages and other benefits	**181,222**	166,446
	Equity-settled share-based payment expenses for employees *(note 23)*	**264**	–
		183,957	168,288
(c)	Other items:		
	Amortisation of lease prepayments	**7,109**	4,045
	Amortisation of intangible assets	**28**	68
	Depreciation	**22,414**	24,097
	Auditors' remuneration	**2,821**	2,810
	Research and developments expenses *(note (i))*	**19,791**	16,990
	Cost of inventories *(note (ii))*	**1,197,626**	1,081,337
	Equity-settled share-based payments for non-employees	**–**	2,148
	Allowance for doubtful debts	**54,481**	–

Notes:

(i) Research and development costs include staff costs of employees in the design and product development department of RMB11,555,000 for the year ended 31 December 2015 (2014: RMB10,171,000), which are included in the staff costs as disclosed in note 5(b).

(ii) Cost of inventories includes RMB156,167,000 relating to staff costs, depreciation and amortisation expenses for the year ended 31 December 2015 (2014: RMB147,409,000), which amount is also included in the respective total amounts disclosed separately above or in note 5(b) for each of these types of expenses.

(Expressed in Renminbi unless otherwise indicated)

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

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

	2015 RMB'000	2014 RMB'000
Current tax		
Provision for PRC corporate income tax for the year	**121,910**	102,211
Deferred tax		
Origination and reversal of temporary differences *(note 21(b))*	**1,580**	14,240
	123,490	116,451

Notes:

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

(ii) No provision has been made for Hong Kong Profits Tax as the Group did not earn any income that was subject to Hong Kong Profits Tax for the years ended 31 December 2015 and 2014.

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

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

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

	2015 RMB'000	2014 RMB'000
Profit before taxation	**412,157**	387,085
Notional tax on profit before taxation, calculated at the standard tax rates applicable to the respective tax jurisdictions	**105,035**	101,264
PRC dividend withholding tax *(note 21(b))*	**15,200**	14,240
Effect of non-deductible expenses	**243**	310
Effect of non-taxable income	**–**	(1,443)
Effect of tax losses not recognised	**2,999**	1,901
Effect of temporary differences not recognised	**13**	179
Actual tax expense	**123,490**	116,451

(Expressed in Renminbi unless otherwise indicated)

7 DIRECTORS' REMUNERATION

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

Year ended 31 December 2015

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

(Expressed in Renminbi unless otherwise indicated)

7 DIRECTORS' REMUNERATION (Continued)

Year ended 31 December 2014

	Directors' fees RMB'000	Salaries, allowances and benefits in kind RMB'000	Retirement scheme contributions RMB'000	Discretionary bonuses RMB'000	2014 Total RMB'000
Executive Directors					
Mr. Kwok Kin Sun	–	1,141	5	–	1,146
Mr. Kwok Hon Fung	–	563	5	–	568
Ms. Yuan Mei Rong	–	436	–	–	436
Sub-total	–	2,140	10	–	2,150
Independent Non-executive Directors					
Mr. Kwauk Teh-Ming Walter	73	–	–	–	73
Mr. Zhang Longgen	73	–	–	–	73
Mr. Zhang Zhaodong	46	–	–	–	46
Sub-total	192	–	–	–	192
Total	192	2,140	10	–	2,342

Note:

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

The details of these benefits in kind, including the principal terms and number of options granted, are disclosed under the paragraph "Share Option Scheme" in Report of The Directors and note 23.

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8 INDIVIDUALS WITH HIGHEST EMOLUMENTS

Of the five individuals with the highest emoluments, three (2014: two) are directors whose remuneration is disclosed in note 7 above. The aggregate of the emoluments in respect of the remaining two individuals for 2015 (2014: three) are as follows:

	2015 RMB'000	2014 RMB'000
Salaries and other emoluments	**1,629**	1,966
Discretionary bonuses	**310**	1,090
Retirement scheme contributions	**19**	18
Share-based payments for employees	**149**	–
	2,107	3,074

The emoluments of the two individuals (2014: three) with the highest emoluments fall within the following bands:

	2015 Number of individuals	2014 Number of individuals
Nil to HK$1,000,000	**1**	2
HK$1,000,000 to HK$2,000,000	**1**	–
HK$2,000,000 to HK$3,000,000	**–**	1

(Expressed in Renminbi unless otherwise indicated)

9 EARNINGS PER SHARE

(a) Basic earnings per share

The calculation of the basic earnings per share are based on the profit for the year of RMB288,667,000 (2014: RMB270,634,000) and the weighted average number of issued ordinary shares of 480,000,000 (2014: 415,233,877 shares) during the year ended 31 December 2015, calculated as follows:

Weighted average number of ordinary shares

	Number of shares	
	2015	2014
Issued ordinary shares at 1 January	**480,000,000**	1
Effect of issue of share upon Reorganisation *(note24(c)(ii))*	**–**	9,999
Effect of capitalisation issue *(note24(c)(iv))*	**–**	359,990,000
Effect of issue of shares upon initial public offering *(note24(c)(iv))*	**–**	55,233,877
Weighted average number of ordinary shares at 31 December 2015	**480,000,000**	415,233,877

The weighted average number of shares in issue during the year ended 31 December 2014 was based on the assumption that the shares were issued before the listing of shares on the Stock Exchange, as if such shares had been outstanding throughout the year ended 31 December 2014.

(b) Diluted earnings per share

The effect of the Company's share options was anti-dilutive for the year ended 31 December 2015. During the year ended 31 December 2014, there were no dilutive potential ordinary shares issued.

(Expressed in Renminbi unless otherwise indicated)

10 PROPERTY, PLANT AND EQUIPMENT

	Buildings RMB'000	Plant and machinery RMB'000	Motor vehicles RMB'000	Furniture, fixtures and equipment RMB'000	Sub-total RMB'000	Construction in progress RMB'000	Total RMB'000
Cost:							
At 1 January 2014	331,944	102,637	6,736	29,088	470,405	179,989	650,394
Additions	4,873	149	–	1,422	6,444	80	6,524
Transfer to lease prepayments *(note 12)*	–	–	–	–	–	(19,305)	(19,305)
Disposals	–	(18)	–	(336)	(354)	(53,366)	(53,720)
At 31 December 2014 and 1 January 2015	336,817	102,768	6,736	30,174	476,495	107,398	583,893
Additions	1,514	11,748	793	2,008	16,063	4,618	20,681
Disposals	–	(1,468)	(49)	(325)	(1,842)	–	(1,842)
Exchange adjustment	17	–	–	10	27	–	27
At 31 December 2015	338,348	113,048	7,480	31,867	490,743	112,016	602,759
Accumulated depreciation:							
At 1 January 2014	62,002	70,358	4,935	27,202	164,497	–	164,497
Charge for the year	11,675	9,044	701	1,490	22,910	–	22,910
Written back on disposals	–	–	–	(327)	(327)	–	(327)
At 31 December 2014 and 1 January 2015	73,677	79,402	5,636	28,365	187,080	–	187,080
Charge for the year	12,929	6,838	687	773	21,227	–	21,227
Written back on disposals	–	(1,326)	(43)	(313)	(1,682)	–	(1,682)
Exchange adjustment	6	–	–	2	8	–	8
At 31 December 2015	86,612	84,914	6,280	28,827	206,633	–	206,633
Net book value:							
At 31 December 2015	251,736	28,134	1,200	3,040	284,110	112,016	396,126
At 31 December 2014	263,140	23,366	1,100	1,809	289,415	107,398	396,813

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

(b) Certain buildings with carrying value of RMB251,708,000 (2014: RMB262,448,000) have been pledged to bank as security for bank borrowings as at 31 December 2015 (see note 20).

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

(Expressed in Renminbi unless otherwise indicated)

11 INVESTMENT PROPERTIES

	2015 RMB'000	2014 RMB'000
Cost:		
At 1 January and 31 December	**35,613**	35,613
Accumulated amortisation:		
At 1 January	**8,309**	7,122
Charge for the year	**1,187**	1,187
At 31 December	**9,496**	8,309
Net book value:		
At 31 December	**26,117**	27,304

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

(b) At 31 December 2015, investment properties were pledged as security for bank borrowings (see note 20).

(c) The Group leases out investment properties under operating leases. The leases typically run for an initial period of three to five years, with an option to renew the lease after that date at which time all terms are renegotiated. None of the leases includes contingent rentals.

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

	2015 RMB'000	2014 RMB'000
Within 1 year	**1,564**	1,574
After 1 year but within 5 years	**1,032**	2,580
	2,596	4,154

(Expressed in Renminbi unless otherwise indicated)

12 LEASE PREPAYMENTS

	2015 RMB'000	2014 RMB'000
Cost:		
At 1 January	**291,497**	70,991
Additions	**–**	209,693
Transfer from construction in progress *(note 10)*	**–**	19,305
Disposals	**–**	(8,492)
At 31 December	**291,497**	291,497
Accumulated amortisation:		
At 1 January	**9,932**	5,887
Charge for the year	**7,109**	4,045
At 31 December	**17,041**	9,932
Net book value:		
At 31 December	**274,456**	281,565

(a) Lease prepayments represented the Group's land use rights on leasehold land located in the PRC. As at 31 December 2015, the remaining period of the land use rights ranges from 38 to 41 years.

(b) At 31 December 2015, the land use rights with carrying value of RMB274,456,000 (2014: RMB41,051,000) were pledged as security for bank borrowings (see note 20).

(Expressed in Renminbi unless otherwise indicated)

13 INTANGIBLE ASSETS

	2015 RMB'000	2014 RMB'000
Cost:		
At 1 January	**1,089**	1,021
Additions	**3,340**	68
At 31 December	**4,429**	1,089
Accumulated amortisation:		
At 1 January	**1,089**	1,021
Charge for the year	**28**	68
At 31 December	**1,117**	1,089
Net book value:		
At 31 December	**3,312**	–

14 PLEDGED BANK DEPOSITS

As at 31 December 2015, bank deposits have been pledged as security for bank borrowings, which were repayable after 1 year and but within 2 years (see note 20). The pledged bank deposits will be released upon the settlement of relevant bank borrowings.

15 INVESTMENTS IN SUBSIDIARIES

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

Name of company	Place of incorporation/ establishment and business	Issued and fully paid up capital	Proportion of equity interest attributable to the Company Direct	Proportion of equity interest attributable to the Company Indirect	Principal activities
Bigtime Global Limited ("Bigtime Global")	BVI	US$10	100%	–	Investment holding
Tiger Capital Fashion (Holdings) Company Limited ("Tiger Capital HK")	Hong Kong	HK$100,000	–	100%	Investment holding
Tiger Capital (China) Fashion Co., Ltd. *(note (i) and (ii))* ("Tiger Capital Fashion") (虎都(中國)服飾有限公司)	PRC	HK$100,000,000	–	100%	Wholesale of menswear

(Expressed in Renminbi unless otherwise indicated)

15 INVESTMENTS IN SUBSIDIARIES (Continued)

Name of company	Place of incorporation/ establishment and business	Issued and fully paid up capital	Proportion of equity interest attributable to the Company Direct	Indirect	Principal activities
Fordoo (China) Industrial Ltd., Co. *(note (i) and (ii))* ("Fordoo Industrial") (虎都(中國)實業有限公司)	PRC	HK$353,436,677	–	100%	Manufacture and wholesale of menswear
Huian Tiger Capital Technology Company Limited *(note (i) and (ii))* ("Tiger Capital Technology") (惠安虎都科技有限公司)	PRC	RMB30,000,000	–	100%	Research and development
Fujian Fordoo Northeast Commercial and Trading Co., Ltd. *(note (i) and (ii))* (福建省虎都東北商貿有限公司)	PRC	– *(note (iii))*	–	100%	Wholesale of menswear
Fujian Fordoo Southeast Commercial and Trading Co., Ltd. *(note (i) and (ii))* (福建省虎都東南商貿有限公司)	PRC	– *(note (iii))*	–	100%	Wholesale of menswear
Fujian Fordoo Central Commercial and Trading Co., Ltd. *(note (i) and (ii))* (福建省虎都中原商貿有限公司)	PRC	– *(note (iii))*	–	100%	Wholesale of menswear
Fujian Fordoo Northwest Commercial and Trading Co., Ltd. *(note (i) and (ii))* (福建省虎都西北商貿有限公司)	PRC	– *(note (iii))*	–	100%	Wholesale of menswear
Fujian Fordoo Southwest Commercial and Trading Co., Ltd. *(note (i) and (ii))* (福建省虎都西南商貿有限公司)	PRC	– *(note (iii))*	–	100%	Wholesale of menswear

Notes:

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

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

(iii) These subsidiaries were established in 2015, the capitals have not been paid up as at 31 December 2015.

(Expressed in Renminbi unless otherwise indicated)

16 INVENTORIES

	2015 RMB'000	2014 RMB'000
Raw materials	**22,526**	20,284
Work in progress	**7,390**	7,072
Finished goods	**33,653**	29,919
	63,569	57,275

17 TRADE AND OTHER RECEIVABLES

	2015 RMB'000	2014 RMB'000
Trade receivable	**744,599**	722,527
Bills receivable *(note (d))*	**–**	3,310
Less: Provision for doubtful debts	**54,481**	–
Trade and bills receivables *(note (a), (b) and (c))*	**690,118**	725,837
Prepayments to suppliers	**588**	846
Other deposits, prepayments and receivables	**6,044**	1,645
	696,750	728,328

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

(a) Ageing analysis

As of the end of the reporting period, the ageing analysis of trade and bills receivables (which are included in trade and other receivables), based on invoice date and net of allowance for doubtful debts, is as follows:

	2015 RMB'000	2014 RMB'000
Within 3 months	**451,833**	421,901
More than 3 months but within 6 months	**238,285**	303,936
	690,118	725,837

Trade receivable are due within 90–180 days from the date of billing. Further details on the Group' credit policy are set out in note 25(a).

(Expressed in Renminbi unless otherwise indicated)

17 TRADE AND OTHER RECEIVABLES (Continued)

(b) Impairment of trade and bills receivables

Impairment losses in respect of trade and bills receivables are recorded using allowance account unless the Group is satisfied that the recovery of the amount is remote, in which case the impairment loss is written off against trade receivables directly (see note 2(i)(i)).

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

	2015 **RMB'000**	2014 RMB'000
At 1 January	**–**	–
Impairment loss recognised	**54,481**	–
At 31 December	**54,481**	–

As at 31 December 2015, the Group's trade and bills receivables of RMB26,418,000 (2014: Nil) were individually determined to be impaired. The individually impaired receivables related to customers that were in financial difficulties and management assessed that only a portion of the receivables is expected to be recovered. Consequently, specific allowances for doubtful debts of RMB8,013,000 (2014: Nil) were recognised.

(c) Trade and bills receivables that are not impaired

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

	2015 **RMB'000**	2014 RMB'000
Neither past due nor impaired	**690,118**	725,837

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

Based on experience, management believes that no impairment allowance is necessary in respect of these balances as there has not been a significant change in credit quality and the balances are still considered fully recoverable.

(d) Bills receivable

Bills receivable represented bank acceptance bills not matured.

As at 31 December 2015, the Group had endorsed bank acceptance bills with recourse of RMB9,814,000 (2014: RMB9,500,000). These bank acceptance bills matured within six months from the date of issue. As the Group only accepts bank acceptance bills from major banks in the PRC, management considered that the credit risk of these bills is minimal. Accordingly, the respective bills receivable are de-recognised upon endorsement of the bills.

(Expressed in Renminbi unless otherwise indicated)

18 CASH AND CASH EQUIVALENTS AND FIXED DEPOSITS HELD AT BANKS

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

	2015 RMB'000	2014 RMB'000
Fixed deposit held at bank with original maturity within three months	**5,356**	9,236
Cash at bank and in hand	**508,695**	174,018
Cash and cash equivalents in the consolidated statements of financial position and consolidated cash flow statement	**514,051**	183,254
Fixed deposits held at bank with original maturity over three months	**142,682**	195,873
	656,733	379,127

At 31 December 2015, cash and cash equivalents in the mainland China amounted to RMB507,057,000 (2014: RMB172,630,000). Remittance of funds out of the PRC is subject to exchange restrictions imposed by the PRC government.

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

	Note	2015 RMB'000	2014 RMB'000
Profit before taxation		**412,157**	387,085
Adjustments for:			
— Depreciation	5(c)	**22,414**	24,097
— Amortisation of intangible assets	5(c)	**28**	68
— Amortisation of lease prepayments	5(c)	**7,109**	4,045
— Interest expense	5(a)	**22,667**	24,214
— Interest income	4	**(6,176)**	(2,202)
— Loss on disposal of property, plant and equipment and lease prepayment		**43**	268
— Equity-settled share-based payments for non-employees	5(c)	**–**	2,148
— Equity-settled share-based payments for employees	5(b)	**264**	–
— Foreign exchange gain		**(15,540)**	(400)
— Allowance for doubtful debts	5(c)	**54,481**	–
Changes in working capital:			
— Increase in inventories		**(6,294)**	(8,627)
— Increase in trade and other receivables		**(19,107)**	(105,867)
— Decrease in trade and other payables		**(11,639)**	(3,837)
Cash generated from operations		**460,407**	320,992

(Expressed in Renminbi unless otherwise indicated)

19 TRADE AND OTHER PAYABLES

	2015 RMB'000	2014 RMB'000
Trade payable	**110,111**	130,312
Receipts in advance	**3,684**	6,251
Other payables and accruals	**119,338**	108,114
	233,133	244,677

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

Set out below is an ageing analysis of the total balance of the trade payable at the end of the reporting period based on relevant invoice dates:

	2015 RMB'000	2014 RMB'000
Within 1 month or on demand	**52,340**	51,025
After than 1 month but within 3 months	**57,771**	79,287
	110,111	130,312

20 BANK BORROWINGS

(a) As at 31 December 2015, the bank borrowings were repayable as follows:

	2015 RMB'000	2014 RMB'000
Within 1 year or on demand	**348,000**	345,000
After 1 year but within 2 years	**146,276**	–
	494,276	345,000

(Expressed in Renminbi unless otherwise indicated)

20 BANK BORROWINGS (Continued)

(b) The bank borrowings were secured as follows:

	2015 RMB'000	2014 RMB'000
Bank borrowings		
— secured	**474,276**	265,000
— unsecured	**20,000**	80,000
	494,276	345,000

(c) Certain bank borrowings were secured by assets of the Group, the carrying amounts of these assets are as follows:

	2015 RMB'000	2014 RMB'000
Property, plant and equipment *(note 10(b))*	**251,708**	262,448
Investment properties *(note 11(b))*	**26,117**	27,304
Lease prepayments *(note 12(b))*	**274,456**	41,051
Pledge bank deposits *(note 14)*	**47,100**	–
	599,381	330,803

Certain bank borrowings were guaranteed by related parties. See note 27(a) for further details.

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

	2015 RMB'000	2014 RMB'000
Facility amount	**660,000**	760,000
Utilised facilities amount in respect of bank borrowings	**494,276**	345,000

Certain of the Group's banking borrowings amounted to RMB278,000,000 (2014: RMB265,000,000) are subject to the fulfilment of covenants relating to certain of the Group's statement of financial position ratios, as are commonly found in lending arrangements with financial institutions. If the Group were to breach the covenants, the drawn down facilities would become payable on demand. The Group regularly monitors its compliance with these covenants. As at 31 December 2015, none of the covenants relating to drawn down facilities had been breached.

(Expressed in Renminbi unless otherwise indicated)

21 INCOME TAX IN THE CONSOLIDATED STATEMENT OF FINANCIAL POSITION

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

	2015 RMB'000	2014 RMB'000
PRC Corporate Income Tax	**31,794**	26,341

(b) Deferred tax assets and liabilities recognised:

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

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

Deferred tax arising from:	Withholding tax on dividends RMB'000	Impairment on trade receivable RMB'000	Total RMB'000
At 1 January 2014	–	–	–
Charged to consolidated statement of profit or loss and other comprehensive income	(14,240)	–	(14,240)
At 31 December 2014 and 1 January 2015	(14,240)	–	(14,240)
Charged to consolidated statement of profit or loss and other comprehensive income	(15,200)	13,620	(1,580)
At 31 December 2015	(29,440)	13,620	(15,820)

(ii) Reconciliation to the consolidated statement of financial position

	2015 RMB'000	2014 RMB'000
Deferred tax assets recognised in the consolidated statement of financial position	**13,620**	–
Deferred tax liabilities recognised in the consolidated statement of financial position	**(29,440)**	(14,240)
	(15,820)	(14,240)

(Expressed in Renminbi unless otherwise indicated)

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

(c) Deferred tax assets not recognised

At 31 December 2015, certain subsidiaries of the Group have not recognised deferred tax assets in respect of cumulative tax losses carried forward of RMB27,849,000 (2014: RMB13,703,000), of which RMB12,621,000 (2014: RMB4,797,000) will expire within 5 years under the current tax legislation. The cumulative tax losses have not been recognised as it is not probable that future taxable profits against which the losses can be utilised will be available in the relevant tax jurisdiction and entities.

(d) Deferred tax liabilities not recognised

Pursuant to the PRC Corporate Income Tax Law and its related regulations, the Group is subject to withholding tax at 10% (unless reduced by tax treaties/arrangements) on dividends receivable from its PRC subsidiaries in respect of their profits generated since 1 January 2008. As at 31 December 2015, deferred tax liabilities relating to the undistributed profits of the Company's PRC subsidiaries of RMB810,750,000 (2014: RMB673,798,000) were not recognised as the Company controls the dividend policy of these subsidiaries and it has determined that those profits will not be distributed in the foreseeable future.

22 EMPLOYEE RETIREMENT BENEFITS

Defined contribution retirement plans

The PRC subsidiaries of the Group participate in defined contribution retirement benefit schemes (the "Schemes") organised by the PRC municipal and provincial government authorities whereby the PRC subsidiaries are required to make contributions at the rate of 18% of the eligible employees' salaries to the Schemes. The Group has accrued for the required contributions which are remitted to the respective local government authorities when the contributions become due. The local government authorities are responsible for the pension obligations payable to the retired employees covered under the Schemes.

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

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

(Expressed in Renminbi unless otherwise indicated)

23 EQUITY-SETTLED SHARE-BASED PAYMENTS FOR EMPLOYEES

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

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

Date of grant		Number of options granted	Vesting conditions	Contractual life of options
Options granted to directors:				
7 October 2015	Batch 1	500,000	one year from the date of grant	6 years
7 October 2015	Batch 2	500,000	two years from the date of grant	7 years
7 October 2015	Batch 3	500,000	three years from the date of grant	8 years
Options granted to employees:				
7 October 2015	Batch 1	600,000	one year from the date of grant	6 years
7 October 2015	Batch 2	600,000	two years from the date of grant	7 years
7 October 2015	Batch 3	600,000	three years from the date of grant	8 years
		3,300,000		

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

	2015 Weighted average exercise price	Number of options
Outstanding at the beginning of the year	–	–
Granted during the year	HK$3.56	3,300,000
Outstanding at the end of the year	HK$3.56	3,300,000
Exercisable at the end of the year	–	–

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

The share options outstanding as at 31 December 2015 had an exercise price of HK$3.56 and a weighted average remaining contractual life of 6.8 years.

(Expressed in Renminbi unless otherwise indicated)

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

(c) Fair value of share options and assumptions

The fair value of services received in return for share options granted is measured by reference to the fair value of share options granted. The estimate of the fair value of the share options granted is measured by an independent valuer engaged by the Group, namely Asset Appraisals Limited, based on binomial model. The contractual life of the share option is used as an input into this model. Expectations of early exercise are incorporated into the binomial model.

Fair value of share options and assumptions

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

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

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

(Expressed in Renminbi unless otherwise indicated)

24 CAPITAL, RESERVES AND DIVIDENDS

(a) Movements in components of equity

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

	Note	Share capital RMB'000 Note 24(c)	Share premium RMB'000 Note 24(d)(i)	Exchange reserve RMB'000 Note 24(d)(iv)	Share-based payment reserve RMB'000 Note 24(d)(v)	Accumulated losses RMB'000	Total RMB'000
Balance at 1 January 2014		–	–	–	8,106	(17,735)	(9,629)
Changes in equity for 2014:							
Total comprehensive income for the year		–	–	(2,233)	–	(15,796)	(18,029)
Issue of shares upon initial public offering, net of issuing costs	24(c)(iv)	953	347,643	–	–	–	348,596
Capitalisation issue	24(c)(iv)	2,858	(2,858)	–	–	–	–
Equity-settled share-based payments for non-employees	24(d)(v)	–	–	–	5,566	–	5,566
Share issued pursuant to equity-settled share-based payments for non-employees	24(d)(v)	–	13,672	–	(13,672)	–	–
At 31 December 2014 and 1 January 2015		3,811	358,457	(2,233)	–	(33,531)	326,504
Changes in equity for 2015							
Total comprehensive income for the year		–	–	12,208	–	(5,634)	6,574
Share-based payments for employees	24(d)(v)	–	–	–	264	–	264
Dividends approved respect of the previous year	24(b)(ii)	–	(136,360)	–	–	–	(136,360)
At 31 December 2015		3,811	222,097	9,975	264	(39,165)	196,982

(Expressed in Renminbi unless otherwise indicated)

24 CAPITAL, RESERVES AND DIVIDENDS (Continued)

(b) Dividends

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

	2015 RMB'000	2014 RMB'000
Final dividend proposed after the end of the reporting period of HK22 cents (equivalent to approximately RMB18 cents) per ordinary share (2014: HK36 cents, equivalent to approximately RMB28 cents)	**88,470**	136,317

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

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

	2015 RMB'000	2014 RMB'000
Final dividend in respect of the year ended 31 December 2014, approved and paid during the period, of HK36 cents (equivalent to approximately RMB28 cents) per ordinary share (2013: Nil)	**136,360**	–

(c) Share capital

Authorised and issued share capital

	2015 Number of shares	2015 Amount HK$'000	2014 Number of shares	2014 Amount HK$'000
Authorised:				
Ordinary shares of HK$0.01 at 1 January *(note (i))*	**1,000,000,000**	**10,000**	38,000,000	380
Increase in authorised capital on 9 June 2014 *(note (iii))*	**-**	**-**	962,000,000	9,620
At 31 December	**1,000,000,000**	**10,000**	1,000,000,000	10,000

(Expressed in Renminbi unless otherwise indicated)

24 CAPITAL, RESERVES AND DIVIDENDS (Continued)

(c) Share capital (Continued)

Authorised and issued share capital (Continued)

	2015			2014		
	Number of shares	Amount HK$'000	RMB'000	Number of shares	Amount HK$'000	RMB'000
Issued and fully paid:						
At 1 January *(note (i))*	**480,000,000**	**4,800**	**3,811**	1	–	–
Issue of shares upon Reorganisation *(note (ii))*	**-**	**-**	**-**	9,999	–	–
Capitalisation issue on 16 July 2014 *(note (iv))*	**-**	**-**	**-**	359,990,000	3,600	2,858
Issue of share upon initial public offering *(note (iv))*	**-**	**-**	**-**	120,000,000	1,200	953
At 31 December	**480,000,000**	**4,800**	**3,811**	480,000,000	4,800	3,811

Notes:

(i) The Company was incorporated on 23 December 2013 with authorised share capital of HK$380,000 divided into 38,000,000 shares of HK$0.01 each and issued one share, credited as fully paid.

(ii) On 13 January 2014, the Group completed the Reorganisation to rationalise the Group's structure in preparing for the listing of Company's shares on the Main Board of the Stock Exchange. As a result of the Reorganisation, the Company became the holding company of the Group on 13 January 2014.

On 23 January 2014, as part of the Reorganisation, the Company issued and allotted 9,999 shares with par value of HK$0.01 each, credited as fully paid.

(iii) Pursuant to the written resolutions of all shareholders of the Company passed on 9 June 2014, the authorised share capital of the Company increased from HK$380,000 divided into 38,000,000 shares of HK$0.01 each to HK$10,000,000 divided into 1,000,000,000 shares of HK$0.01 each by the creation of 962,000,000 shares of HK$0.01 each.

(iv) On 16 July 2014, 359,990,000 shares of HK$0.01 each were issued at par value to the shareholders of the Company by way of capitalisation of HK$3,599,900 (equivalent to RMB2,858,000) from the Company's share premium account which took place immediately before the Company's listing of its shares on the Stock Exchange.

120,000,000 new shares with per value of HK$0.01 each, at a price of HK$3.9 per share were issued by way of initial public offering. The proceeds of HK$1,200,000 (equivalent to RMB953,000) representing the par value of these ordinary shares, were credited to the Company's share capital account. The remaining proceeds of HK$466,800,000 (equivalent to RMB370,635,000), less the listing costs directly attributable to the issue of shares of RMB22,992,000, amounted to RMB347,643,000 were credited to the Company's share premium account. The share capital of the Company was then increased to HK$4,800,000 divided into 480,000,000 shares of HK$0.01 each.

(Expressed in Renminbi unless otherwise indicated)

24 CAPITAL, RESERVES AND DIVIDENDS (Continued)

(d) Nature and purpose of reserves

(i) Share premium

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

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

(ii) Statutory reserve

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

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

(iii) Capital reserve

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

(iv) Exchange reserve

The exchange reserve comprises all foreign exchange differences arising from the translation of the financial statement of operations outside the mainland China which are dealt with in accordance with the accounting policies set out in note 2(s).

(v) Share-based payment reserve

Share-based payment reserve comprises the following:

- The fair value of services provided by parties other than employees to the Group in connection with the listing of the Company and the services were settled by equity instrument of the Company. The relevant services are recognised in accordance with IFRS 2, *Share-based payment*. Share-based payment was vested pursuant to the listing of the Company on 16 July 2014. RMB13,672,000 has been transferred from the share-based reserve to the share premium account.

- The portion of the grant date fair value of unexercised share options granted to employees of the Group that has been recognised in accordance with the accounting policy adopted for the share-based payments in note 2(o)(ii).

(Expressed in Renminbi unless otherwise indicated)

24 CAPITAL, RESERVES AND DIVIDENDS (Continued)

(e) Distributable reserve

At 31 December 2015, the aggregate amount of reserves (including share premium and accumulated losses) available for distribution to the shareholders of the Company was HK$229,502,000 (2014: HK$406,470,000).

(f) Capital management

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

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

The Group monitors its capital structure with reference to its debt position. The Group's strategy is to maintain the equity and debt in a balanced position and ensure there are adequate working capital to service its debt obligations. The Group's debt to asset ratio, being the Group's total liabilities (excluding deferred tax liabilities) over its total assets (excluding deferred tax assets), at 31 December 2015 were 35% (2014: 33%).

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

25 FINANCIAL RISK MANAGEMENT AND FAIR VALUES OF FINANCIAL INSTRUMENTS

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

(a) Credit risk

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

(i) Trade and other receivables

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

The Group's exposure to credit risk is influenced mainly by the individual characteristics of each customer and therefore significant concentrations of credit risk primarily arise when the Group has significant exposure to individual customers. As at 31 December 2015, 19% of the total trade receivables were due from the Group's largest customer (2014: 14%), and 41% of the total trade receivables were due from the Group's five largest customers (2014: 36%).

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

(Expressed in Renminbi unless otherwise indicated)

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

(a) Credit risk (Continued)

(i) Trade and other receivables (Continued)

As at 31 December 2015, the Group had endorsed certain bank acceptance bills with recourse amounted to RMB9,814,000 (2014: RMB9,500,000) and the respective receivables were derecognised upon endorsement. As the Group only accepts bank acceptance bills from major banks in the PRC, management considered that the credit risk of these bills is minimal.

Further quantitative disclosures in respect of the Group's exposure to credit risk arising from trade and other receivables are set out in note 17.

(ii) Deposits with banks

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

(b) Liquidity risk

Individual operating entities within the Group are responsible for their own cash management, including the short term investment of cash surpluses and the raising of loans to cover expected cash demands, subject to approval by the management and directors when the borrowings exceed certain predetermined levels of authority. The Group's policy is to regularly monitor its liquidity requirements and its compliance with lending covenants, to ensure that it maintains sufficient reserves of cash and adequate committed lines of funding from major financial institutions to meet its liquidity requirements in the short and longer term.

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

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

(Expressed in Renminbi unless otherwise indicated)

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

(b) Liquidity risk (Continued)

	Contractual undiscounted cash flows			
	Within 1 year or on demand RMB'000	More than 1 year RMB'000	Total RMB'000	Balance sheet carrying amount RMB'000
As at 31 December 2014				
Current liabilities				
Bank borrowings	360,059	–	360,059	345,000
Trade and other payables	244,677	–	244,677	244,677
	604,736	–	604,736	589,677

(c) Interest rate risk

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

(i) Interest rate profile

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

	2015		2014	
	Effective interest rate	**Amount RMB'000**	Effective interest rate	Amount RMB'000
Fixed rate borrowings:				
Bank borrowings	**5.12%**	**348,000**	6.16%	345,000
Variable rate borrowings:				
Bank borrowings	**2.13%**	**146,276**	N/A	–
Total bank borrowings		**494,276**		345,000
Net fixed rate borrowings as a percentage of total borrowings		**70%**		100%

(Expressed in Renminbi unless otherwise indicated)

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

(c) Interest rate risk (Continued)

(ii) Sensitivity analysis

At 31 December 2015, it is estimated that a general increase/decrease of 100 basis point in interest rates, with all other variables held constant, would have decreased/increased the Group's profit after tax and retained profits by approximately RMB1,463,000 (2014: Nil). Other components of equity would not be affected by the changes in interest rates.

The sensitivity analysis above indicates the instantaneous change in the group's profit after tax (and retained profits) and other components of consolidated equity that would arise assuming that the change in interest rates had occurred at the end of the reporting period and had been applied to re-measure those financial instruments held by the group which expose the group to fair value interest rate risk at the end of the reporting period. In respect of the exposure to cash flow interest rate risk arising from floating rate non-derivative instruments held by the group at the end of the reporting period, the impact on the group's profit after tax (and retained profits) and other components of consolidated equity is estimated as an annualised impact on interest expense or income of such a change in interest rates. The analysis is performed on the same basis as 2014.

(d) Currency risk

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

(i) Exposure to currency risk

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

	Exposure to foreign currency (expressed in Renminbi)	
	2015	2014
	United States Dollars	United States Dollars
	RMB'000	RMB'000
Fixed deposits held at bank with original maturity over three months	**129,872**	122,380

(Expressed in Renminbi unless otherwise indicated)

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

(d) Currency risk (Continued)

(ii) Sensitivity analysis

At 31 December 2015, it is estimated that a general increase/decrease of one percent in foreign exchange rates of USD against RMB, with all other variables held constant, would have increased the Group's profit after tax and retained profits by approximately RMB974,000 (2014: increase by RMB918,000).

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

The sensitivity analysis above assumes that the change in foreign exchange rates had been applied to re-measure those financial instruments held by the Group which expose the Group to foreign currency risk at the end of the reporting period. The analysis has been performed on the same basis in 2014.

(e) Fair value

All financial assets and liabilities are carried at amounts not materially different from their fair values as at 31 December 2014 and 2015.

26 COMMITMENTS

(a) Capital commitments

Capital commitments of the Group in respect of construction in progress outstanding as at 31 December 2015 that were not provided for in the consolidated financial statements were as follows:

	2015 **RMB'000**	2014 RMB'000
Contracted for	**227,645**	233,781
Authorised but not contracted for	**–**	24,048
	227,645	257,829

(b) Operating leases

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

	2015 **RMB'000**	2014 RMB'000
Within 1 year	**112**	660
After 1 year but within 2 years	**–**	110
	112	770

The Group leased one property under operating leases, which runs for an initial period for two years, at the end of which period all terms are renegotiated. None of the leases include contingent rentals.

(Expressed in Renminbi unless otherwise indicated)

27 MATERIAL RELATED PARTY TRANSACTIONS

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

(a) Guarantee from related parties

At 31 December 2015, certain bank borrowings were guaranteed by Mr. Kwok Kin Sun, who is the ultimate controlling party.

(b) Key management personnel compensation

Remuneration for key management personnel of the Group, including amounts paid to the Company's directors as disclosed in note 7 and certain of the highest paid employees as disclosed in note 8, is as follows:

	2015 RMB'000	2014 RMB'000
Short-term employee benefits	**6,370**	5,516
Retirement scheme contributions	**59**	34
Share-based payments for employees	**264**	–
	6,693	5,550

The above remuneration is included in "staff costs" (note 5(b)).

(Expressed in Renminbi unless otherwise indicated)

28 COMPANY-LEVEL STATEMENT OF FINANCIAL POSITION

	Note	2015 RMB'000	2014 RMB'000
Non-current assets			
Investment in a subsidiary		**–**	–
Current assets			
Other receivables		**142**	136
Amounts due from subsidiaries		**207,071**	336,238
Cash and cash equivalents		**11**	10
		207,224	336,384
Current liabilities			
Other payables		**225**	209
Amounts due to subsidiaries		**10,017**	9,671
		10,242	9,880
Net current assets		**196,982**	326,504
Total assets less current liabilities		**196,982**	326,504
Net assets		**196,982**	326,504
Capital and reserves			
Share capital	*24(a)*	**3,811**	3,811
Reserves	*24(a)*	**193,171**	322,693
Total equity		**196,982**	326,504

(Expressed in Renminbi unless otherwise indicated)

29 SIGNIFICANT ACCOUNTING ESTIMATES AND JUDGEMENTS

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

The selection of critical accounting policies, the judgements and other uncertainties affecting application of those policies and the sensitivity of reported results to changes in condition and assumptions are factors to be considered when reviewing the financial statements. The principal accounting policies are set forth in note 2. The Group believes the following critical accounting policies involve the most significant judgements and estimates used in the preparation of the financial statements.

(a) Depreciation

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

(b) Impairments

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

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

(c) Net realisable value of inventories

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

(d) Impairment of trade and other receivables

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

(Expressed in Renminbi unless otherwise indicated)

30 IMMEDIATE AND ULTIMATE CONTROLLING PARTY

At 31 December 2015, the directors consider the immediate controlling party of the Group to be Everkept Limited, which is incorporated in the BVI, and the ultimate controlling party of the Company to be Mr. Kwok Kin Sun. Everkept Limited does not produce financial statements available for public use.

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

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

	Effective for accounting periods beginning on or after
Annual Improvements to IFRSs 2012–2014 Cycle	1 January 2016
Amendments to IFRS 10 and IAS 28, *Sale or contribution of assets between an investor and its associate or joint venture*	1 January 2016
Amendments to IFRS 11, *Accounting for acquisitions of interests in joint operations*	1 January 2016
Amendments to IAS 1, *Disclosure initiative*	1 January 2016
Amendments to IAS 16 and IAS 38, *Clarification of acceptable methods of depreciation and amortisation*	1 January 2016
IFRS 15, *Revenue from contracts with customers*	1 January 2018
IFRS 9, *Financial instruments*	1 January 2018
IFRS 16, *Leases*	1 January 2019

The Group is in the process of making an assessment of what the impact of these amendments, new standards and interpretations is expected to be in the period of initial application. So far it has concluded that the adoption of them is unlikely to have a significant impact on the consolidated financial statements.

Five Years Summary

	2011 RMB'000	2012 RMB'000	2013 RMB'000	2014 RMB'000	**2015** **RMB'000**
Revenue	818,477	1,108,977	1,452,811	1,672,410	**1,873,709**
Profit from operations	142,445	232,703	345,335	411,299	**434,824**
Finance costs	(21,579)	(26,055)	(24,749)	(24,214)	**(22,667)**
Profit before taxation	120,866	206,648	320,586	387,085	**412,157**
Income tax	(15,074)	(53,728)	(82,042)	(116,451)	**(123,490)**
Profit for the year	105,792	152,920	238,544	270,634	**288,667**
Earnings per share (RMB cents)					
Basic	29	42	66	65	**60**
Diluted	29	42	66	65	**60**
Assets and liabilities					
Non-current assets	743,616	721,839	579,492	710,126	**760,731**
Current assets	456,435	467,591	759,505	1,164,730	**1,417,052**
Current liabilities	885,206	718,778	627,422	616,018	**612,927**
Net current (liabilities)/assets	(428,771)	(251,187)	132,083	548,712	**804,125**
Total assets less current liabilities	314,845	470,652	711,575	1,258,838	**1,564,856**
Non-current liabilities	129,758	129,784	129,175	14,240	**175,716**
NET ASSETS	185,087	340,868	582,400	1,244,598	**1,389,140**
Capital and reserves					
Share Capital	11	11	11	3,811	**3,811**
Reserves	185,076	340,857	582,389	1,240,787	**1,385,329**
Total equity	185,087	340,868	582,400	1,244,598	**1,389,140**