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

2018 ANNUAL REPORT

About Fordoo

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

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Corporate Information

BOARD OF DIRECTORS AND COMMITTEES

Executive Directors

Mr. Kwok Kin Sun *(Chairman)*
Mr. Kwok Hon Fung
Ms. Mo Wei (appointed on 1 March 2018)
Ms. Yuan Mei Rong (resigned on 21 December 2018)

Independent Non-executive Directors

Mr. Cheung Chiu Tung
Mr. Poon Yick Pang Philip
Ms. Huang Yumin (appointed on 1 February 2018)
Mr. Shen Li (resigned on 1 February 2018)

Audit Committee

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

Remuneration Committee

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

Nomination Committee

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

COMPANY SECRETARY

Mr. Lai Tsz Yin

AUTHORIZED REPRESENTATIVES

Mr. Kwok Kin Sun (resigned on 1 February 2018)
Mr. Lai Tsz Yin (appointed on 1 February 2018)
Mr. Kwok Hon Fun

AUDITOR

Elite Partners CPA Limited, *Certified Public Accountants*

LEGAL ADVISER AS TO HONG KONG LAW

Chungs Lawyers

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

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

CAYMAN ISLANDS SHARE REGISTRAR

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

HONG KONG SHARE REGISTRAR

Boardroom Share Registrars (HK) Limited
Room 2103B, 21/F, 148 Electric Road,
North Point, Hong Kong

PRINCIPAL BANKERS

China CITIC Bank Corporation Limited
China Construction Bank Corporation

IR CONTACT

Investor relations department,
China Fordoo Holdings Limited
Office 812, Unit 1908, 19/F,
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COMPANY WEBSITE

www.fordoo.cn

Financial Highlights

- Revenue of the Group decreased by 45.9% to RMB611.0 million (2017: RMB1,129.4 million).
- Gross profit of the Group decreased by 45.0% to RMB208.4 million (2017: RMB378.6 million).
- EBITDA of the Group decreased by 58.5% to RMB45.0 million (2017: RMB108.4 million).
- Net loss of the Group was RMB44.1 million (2017: net profit of RMB22.1 million).
- Basic and diluted loss per share was RMB9 cents (2017: basic and diluted earnings per share of RMB5 cents).
- No final dividend is proposed (2017: Nil).

	2018	2017	Change
Profitability ratios			
Gross profit margin	**34.1%**	33.5%	0.6 ppt
EBITDA margin	**7.4%**	9.6%	–2.2 ppt
Net (loss)/profit margin	**–7.2%**	2.0%	–9.2 ppt
Return on equity(1)	**–3.1%**	1.5%	–4.6 ppt
Liquidity ratios			
Inventory turnover (Days)(2)	**44**	27	
Trade and bills receivables turnover (Days)(3)	**114**	94	
Trade payables turnover (Days)(4)	**27**	25	
Capital ratios			
Interest coverage ratios(5)	**N/A**	3	
Net Debt to equity ratio (%)(6)	**Net Cash**	Net Cash	
Gearing ratio(7)	**37.5%**	33.1%	4.4 ppt

Notes:

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

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

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

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

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

(6) Net debt divided by total equity as of the end of the Year. Net debt includes bank and other borrowings and corporate bonds net of cash and cash equivalents, pledged bank deposits and fixed deposits held at bank. As at 31 December 2017 and 31 December 2018, the Group recorded a net cash position.

(7) Total debts divided by the total equity.

Chairman's Statement

Dear shareholders,

On behalf of the board (the "Board") of directors (the "Directors") of China Fordoo Holdings Limited (the "Company"), I am pleased to present the audited consolidated results of the Company and its subsidiaries (collectively referred to as the "Group" or "China Fordoo") for the year ended 31 December 2018 (the "Year").

BUSINESS OVERVIEW

In view of the domestic and global challenges, according to information released by the National Bureau of Statistics of China, the annual growth rate of gross domestic product for 2018 was 6.6% while the growth rate for the fourth quarter was 6.4%, being the lowest level in the past decade. The consumption data showed that the per capita consumption expenditure of the whole country increased by 8.4% over the previous year, and the real growth rate was 6.2% after deducting the price factor. In contrast, the per capita expenditure on apparel consumption increased by only 4.1%, a 120 basis points increase from 2.9% in 2017. Among which, the nominal growth of urban residents' expenditure on apparel was as low as 2.9%, while the nominal growth of rural residents' expenditure on apparel was 5.9%. The retail market in China showed a steady upward trend, however, some segments were not performing satisfactorily. Under the influence of the dynamic environment of the retail industry, including the impacts from the Internet and e-commerce brands, the society has undergone dramatic changes and the consumers' unique spending patterns have changed. Due to the fierce price competition among retailers and increasing operating costs, the overall market conditions were still difficult, especially the increasingly considerable impacts of internet and e-commerce brands on retail stores. As a result, the performance of the Group was inevitably adversely affected. In 2018, the revenue of the Group decreased by 45.9% to RMB611.0 million as compared to last year while net loss for the Year was RMB44.1 million as compared to a net profit of RMB22.1 million last year.

Facing various challenges and uncertainties, the Group continued to enhance its overall operating efficiency by closing and consolidating the underperforming retail outlets, strengthening its control over distributors and sub-distributors, and accelerating the product turnover. At the same time, the Group further enhanced the design and product development capabilities, and continued to invest resources to strengthen its brand building marketing strategies, organize marketing campaigns to enhance customer loyalty and consolidate its self-operated retail network. Apart from the menswear business, the Group has started exploring new opportunities in 2018 to expand and diversify its businesses and activities, with a view to broadening the sources of income of the Group. In the second half of 2018, the Group also expanded its businesses to the hatching, raising and butchering of landes goose business in Shandong, and acquired an online platform and retail stores to retail and distribute consumer goods such as high-end food products in China. As the Group has just carried out the above new businesses which were still in their early stages, these segments did not contribute significant revenue to the Group's annual results for 2018.

FUTURE PROSPECTS

In 2018, the global economy enjoyed steady growth. However, the escalation of trade tensions brought by the rise of protectionism and the gradually tightening monetary policy cast uncertainties over the economic outlook. It is not difficult to predict that the operating environment for the next financial year will continue to be full of challenges, and the customers' spending sentiments will become more prudent. Nevertheless, the Group believes that diversification, segmentation, seamless convergence of online and offline channels, transformation and upgrading are the major trends in the apparel industry. We will continue to take initiatives to review the refined consumer groups and market demands, add in new and high-quality elements and implement innovative concepts while focusing on cost control, so as to cater to customers' personality and fulfil their diversified needs. Besides, the Group will strive to improve product quality, deepen channels, reform the supply chain, and enhance the brand's strengths in order to cope with the negative impacts of adverse market conditions on the Group.

Chairman's Statement

Although the new landes goose farming business and the retail and distribution of consumer goods such as high-end food products via its online platform and retail stores did not contribute substantial revenue to the Group during the Year, the prospects of such segments remain promising. The Group will continue to invest resources in these businesses to unlock their potential values. In addition, the Group will continue to explore other possible investment opportunities with a view to enhancing its value to the shareholders of the Company.

APPRECIATION

Last but not least, I would like to take this opportunity to extend my sincere gratitude to all shareholders, fellow directors, senior management and staff for their dedication and contribution to the Group's development. I, on behalf of the Board, would like to thank all of our clients, suppliers and business partners for their continuous support and trust. Going forward, we shall remain unwavering in exploring further opportunities and overcoming challenges for attaining better results for the Group.

Kwok Kin Sun
Chairman
Hong Kong, 28 March 2019

Management Discussion and Analysis

OVERVIEW

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

In 2018, the operating environment of the garment retail industry in China remained tough and highly competitive. The shift in consumer spending patterns from offline to online shopping due to continuous e-commerce boom, intense price competitions among retailers and escalating operating costs had all cast adverse impacts on the Group's performance. In the face of such challenges, the Group continued to implement its strategies by closing certain underperforming retail outlets in order to consolidate its distribution network and improve operating efficiency. The Group also strengthened its control over distributors and sub-distributors and further enhanced its design and product development capabilities. In addition, the Group continued to optimize retail platforms, strengthen its brand building strategies, organize marketing campaigns to enhance customer loyalty and consolidate its self-operated retail network. Since early 2018, the Group has started exploring opportunities to expand and diversify its businesses and activities. In the second half of 2018, the Group successfully acquired the hatching, raising and butchering of landes goose business in Shandong, and set up an online platform and retail stores to retail and distribute consumer goods such as high-end food products in China with a view to creating new sources of income and maximizing the return to the Company and its shareholders in the long run.

FINANCIAL REVIEW

For the year ended 31 December 2018, the Group turned to a loss of approximately RMB44.1 million as compared to net profit of RMB22.1 million for the previous year. The incur of loss was mainly attributable to (i) the decline in Group's revenue and gross profit due to the Group's consolidation strategy on its retail outlet network; (ii) the recognition of an impairment loss on goodwill, which arose from our acquisition of the menswear retail business in the PRC in 2017. As of 31 December 2018, the Group had 672 retail outlets (including 2 self-operated retail stores located in Quanzhou and 34 self-operated retail outlets in Beijing), representing a net decrease of 399 retail outlets from 1,071 retail outlets as at 31 December 2017.

(a) Segment revenue and results

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

	Menswear		Other		Unallocated		Consolidated	
	2018 RMB'000	2017 RMB'000	2018 RMB'000	2017 RMB'000	2018 RMB'000	2017 RMB'000	2018 RMB'000	2017 RMB'000
Revenue	**580,560**	1,129,418	**30,489**	–	**–**	–	**611,049**	1,129,418
Segment result before the following item	**20,435**	467,494	**2,505**	–	**–**	–	**22,940**	467,494
Impairment of inventory	**(3,954)**	–	**–**	–	**–**	–	**(3,954)**	–
Impairment of Goodwill	**(25,480)**	–	**–**	–	**–**	–	**(25,480)**	–
Allowance for doubtful debts, NET	**(19,280)**	(88,922)	**–**	–	**–**	–	**(19,280)**	(88,922)
Segment result	**(28,279)**	378,572	**2,505**	–	**–**	–	**(25,774)**	378,572
Other revenue and unallocated gains					**1,416**	(4,609)	**1,416**	(4,609)
Corporate and other unallocated expenses					**(26,777)**	(331,426)	**(26,777)**	(331,426)
Profit before taxation							**(51,135)**	42,537
Share loss of an associate	**–**	–	**–**	–	**–**	(2,000)	**–**	(2,000)
Tax expense	**7,319**	(18,411)	**(420)**	–	**97**	–	**6,996**	(18,411)
Loss for the year							**(44,139)**	22,126

(b) Segment assets and liabilities

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

	Menswear		Other		Unallocated		Consolidated	
	2018 RMB'000	2017 RMB'000	2018 RMB'000	2017 RMB'000	2018 RMB'000	2017 RMB'000	2018 RMB'000	2017 RMB'000
Segment assets	**1,398,714**	1,564,511	**63,127**	–	**800,527**	715,134	**2,262,368**	2,279,645
Segment liabilities	**669,112**	695,865	**42,769**	–	**140,761**	131,511	**852,642**	827,376

(c) Geographical information

The following table presents the Group's geographical information in terms of revenue for the year ended 31 December 2018 and 2017, and non-current assets as at 31 December 2018 and 2017.

Revenue from external customers

	For the year ended 31 December	
	2018	2017
	RMB million	RMB million
China	**430.9**	910.2
Hong Kong	**179.4**	215.9
US	**0.7**	3.3
	611.0	1,129.4

Non-current assets

The principal place of the Group's operations is in the PRC. For the purpose of segment information disclosure under IFRS8, the Group regards the PRC as its country of domicile. Over 90% of the Group's non-current assets are located in the PRC, being single geographical region.

Revenue

For the year ended 31 December 2018, revenue decreased by approximately 45.9% to RMB611.0 million from RMB1,129.4 million for the previous year. The decrease in revenue was primarily due to the Group's consolidation strategy on its retail outlet network and the decrease in wholesale orders as a result of the termination of distribution relationships with some of the Group's distributors who had slow repayment history.

Revenue by Product Type

	For the year ended 31 December				
	2018		2017		Change
	RMB million	% of revenue	RMB million	% of revenue	%
Apparel					
Men's trousers	**321.9**	**52.7%**	603.2	53.4%	–46.6%
Men's tops	**257.7**	**42.2%**	495.6	43.9%	–48.0%
Accessories	**0.9**	**0.1%**	4.7	0.4%	–80.9%
Fabrics	**–**	**–**	25.9	2.3%	–100.0%
Online platform and retail stores(1)	**28.1**	**4.6%**	–	–	N/A
Foie gras and by products(2)	**2.4**	**0.4%**	–	–	N/A
Total	**611.0**	**100.0%**	1,129.4	100.0%	–45.9%

Men's trousers remained the major revenue contributor and accounted for 52.7% of the total revenue during the Year (2017: 53.4%).

Notes:

(1) In July 2018, the Group acquired 100% of equity interests in 天津悦心億彩電子商務有限公司 (Tianjin Yuexin Yicai E-Commerce Co., Limited*) ("Tianjin Yuexin"), which has an online platform and retail stores to retail and distribute consumer goods such as high-end food products in the PRC.

(2) In November 2018, the Group acquired 60% of equity interests in 臨朐東大鵝業有限公司 (Linqu Dongda Goose Industry Company Limited*) ("Dongda Goose Industry"), which has its primary business operation in hatching, raising and butchering of landes goose and sale of foie gras.

* For identification purpose only

Management Discussion and Analysis

Revenue by Product Style

	For the year ended 31 December				
	2018		2017		Change
	RMB million	% of revenue	RMB million	% of revenue	%
Apparel					
Business Casual	**238.9**	**39.1%**	514.1	45.5%	–53.5%
Business Formal	**81.8**	**13.4%**	204.2	18.1%	–59.9%
Casual[1]	**258.9**	**42.4%**	380.5	33.7%	–32.0%
Accessories	**0.9**	**0.1%**	4.7	0.4%	–80.9%
Fabrics	**–**	**–**	25.9	2.3%	–100.0%
Online platform and retail stores	**28.1**	**4.6%**	–	–	N/A
Foie gras and by products	**2.4**	**0.4%**	–	–	N/A
Total	**611.0**	**100.0%**	1,129.4	100.0%	–45.9%

Casual series became our largest revenue contributor and accounted for 42.4% of the total revenue during the Year (2017: business casual series with 45.5% of the total revenue).

Note:

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

Management Discussion and Analysis

Revenue by Region

Region	For the year ended 31 December 2018 RMB million	2018 % of Revenue	2017 RMB million	2017 % of Revenue	Change %
Apparel and accessories					
Northern China [(1)]	**162.2**	**26.5%**	194.8	17.3%	–16.7%
Northeastern China [(2)]	**2.8**	**0.4%**	28.5	2.5%	–90.2%
Eastern China [(3)]	**191.9**	**31.4%**	404.5	35.8%	–52.6%
Central Southern China [(4)]	**10.8**	**1.8%**	101.8	9.0%	–89.4%
Southwestern China [(5)]	**17.1**	**2.8%**	70.8	6.3%	–75.8%
Northwestern China [(6)]	**14.7**	**2.4%**	73.7	6.5%	–80.1%
US	**0.7**	**0.1%**	3.3	0.3%	–78.8%
Hong Kong	**179.4**	**29.4%**	215.9	19.1%	–16.9%
Subtotal	**579.6**	**94.8%**	1,093.3	96.8%	–47.0%
Online distributor	**0.9**	**0.2%**	10.2	0.9%	–91.2%
Subtotal	**580.5**	**95.0%**	1,103.5	97.7%	–47.4%
Fabrics	**–**	**–**	25.9	2.3%	–100.0%
Total of Apparel	**580.5**	**95.0%**	1,129.4	100%	–48.6%
Online platform and retail stores	**28.1**	**4.6%**	–	–	N/A
Foie gras and by products	**2.4**	**0.4%**	–	–	N/A
Total	**611.0**	**100.0%**	1,129.4	100.0%	–45.9%

Notes:

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

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

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

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

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

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

Eastern China, Northern China and Hong Kong regions remained the major revenue contributors to the Group, and together accounted for 87.3% (2017: 72.2%) of the total revenue.

Management Discussion and Analysis

The following map shows the geographical distribution of the retail outlets of the Group in China as of 31 December 2018.

Management Discussion and Analysis

Cost of Sales

Cost of sales decreased by approximately 46.4% to RMB402.6 million for the year ended 31 December 2018 from approximately RMB750.8 million for the previous year. The decrease was in line with the decrease in revenue during the Year.

The Group continued to manufacture its products either by self-production or OEM purchase. We used our in-house manufacturing facilities to manufacture most of our core products and outsourced the production of accessories and certain apparel products as we continued to expand and diversify our product offering. This flexible manufacturing process 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 2018, self-production accounted for approximately 60.4% (2017: 67.8%) of the total cost of sales for apparel business, decreased by 7.4 percentage points compared with the year 2017. The decrease was mainly due to the fact that we purchased more high-value products from OEMs and utilized some of our production facilities to fulfill certain lower-value overseas bulk purchase orders.

Gross Profit and Gross Profit Margin

Gross profit for the Year decreased by approximately 45.0% year-on-year to RMB208.4 million (2017: RMB378.6 million). Gross profit margin increased 0.6 percentage points year-on-year to 34.1%.

The increase in gross profit margin was mainly due to the increase in the revenue attributed by self-operated retail outlets and the newly acquired online platform, which had higher gross profit margin.

Other Incomes and Other Gains or Losses

For the year ended 31 December 2018, other incomes and other gains or losses increased by approximately RMB15.4 million to a gain of RMB10.8 million from a loss of RMB4.6 million for the previous year. The increase in other incomes was mainly due to a net increase in foreign exchange gain or loss of RMB10.7 million and a net decrease in net loss on disposal of fixed assets of RMB6.2 million, offset by a decrease in interest income of approximately RMB1.7 million, which was mainly due to the decrease of fixed deposits held at bank with original maturity over three months.

Selling and Distribution Expenses

For the year ended 31 December 2018, selling and distribution expenses decreased by approximately RMB40.5 million year-on-year to RMB63.9 million, accounted for approximately 10.5% of total revenue, which represented a year-on-year increase of 1.3 percentage points. The decrease in selling and distribution expenses was primarily due to (i) a decrease in advertising and promotional expenses; (ii) a decrease in decoration expenses, which was in line with the consolidation strategy on the under-performing shops; and (iii) a decrease in packaging material expenses as a result of decreased sales volume.

Included in the amount were advertising and promotional expenses of approximately RMB17.1 million in total, which accounted for approximately 2.8% of the total revenue, decreased by 1.6 percentage points compared to the previous year. The Group continued to take initiatives to promote its corporate image through multi-channel marketing campaigns.

Administrative and Other Operating Expenses

For the year ended 31 December 2018, the Group's administrative and other operating expenses decreased by approximately RMB25.5 million year-on-year to RMB180.1 million, accounting for approximately 29.5% of total revenue, which represented a year-on-year increase of 11.3 percentage points. Included in the amount were provisions for bad and doubtful debt of approximately RMB19.3 million (2017: RMB88.9 million) in total. As a result of the prudent account receivable provision policy adopted before, after termination distribution relationships with some distributors who had slow repayment history in the previous year, we are glad to see that the account receivables have improved and provision for bad and doubtful debts has been reversed. The Group also recognized an impairment loss on goodwill of approximately RMB25.5 million (2017: Nil), which arose from the acquisition of the menswear retail business in the PRC in 2017. The impairment was mainly due to the fact that financial performance of the retail business was less than expected for the year ended 31 December 2018. Excluding the effect of the account receivables provision and goodwill impairment, the Group's administrative and other operating expenses for the year ended 31 December 2018 had increased by 12.6% compared to the previous year. This was mainly attributable to the increase in amortization of intangible assets, offset by the decrease of other general operating expenses.

Finance Costs

For the year ended 31 December 2018, finance cost increased by 23.4% year-on-year to approximately RMB26.4 million (2017: RMB21.4 million), which was mainly due to an increase in corporate bonds and higher average interest rate.

Income Tax

For the year ended 31 December 2018, income tax decreased by approximately RMB25.4 million year-on-year to a negative RMB7.0 million (2017: positive RMB18.4 million). The negative in income tax was mainly due to the decrease of profit before taxation and the increase in deferred tax assets due to the increase in amortization of intangible assets and impairment of goodwill.

Loss Attributable to Shareholders of the Company

Loss attributable to the shareholders of the Company (the "Shareholders") for the Year was approximately RMB44.4 million (2017: profit of RMB22.1 million).

The Board has resolved not to recommend the payment of a final dividend for the Year (2017: Nil).

BUSINESS REVIEW

Distribution Network

The following table shows the changes in the number of stores in different regions during the year ended 31 December 2018:

	Number of stores			
Region	As of 1 January 2018	Stores opened during the period	Stores closed during the period	As of 31 December 2018
Northern China	170	6	73	**103**
Northeastern China	64	7	33	**38**
Eastern China	340	15	117	**238**
Central Southern China	159	10	97	**72**
Southwestern China	112	4	68	**48**
Northwestern China	181	5	49	**137**
Subtotal	1,026	47	437	**636**
Self-operated retail outlets	45	2	11	**36**
Total	1,071	49	448	**672**

As of 31 December 2018, our distribution network comprised 50 distributors (including one online distributor) and 104 sub-distributors who operated 636 retail outlets, spanning over 250 cities and 29 provinces, autonomous regions and central government-administered municipalities in the PRC. We also sell our products directly to end customers through our 2 self-operated retail outlets in Quanzhou, Fujian Province and 34 self-operated retail outlets in Beijing.

The Group adopted a cautious view, suspended our expansion plan, and consolidated and closed down certain under-performing outlets in sales network in 2018. The Group primarily sells its products on a wholesale basis to its third-party distributors, who then sell the products to end customers through retail outlets or resell the products to their sub-distributors, who in turn sell the products to end customers through retail outlets operated by those sub-distributors.

We have 2 self-operated retail outlets in Quanzhou, Fujian Province, which are flagship stores to showcase our expectation and standards of a store environment to our distributors and their sub-distributors. We also have 34 self-operated retail outlets in Beijing since we acquired 北京浩垠服飾有限公司 (Beijing Haoyin Clothing Co., Ltd*), which engages in menswear retail business in the PRC, during the year 2017.

* For identification purpose only

As of 31 December 2018, the Group had 672 retail outlets (including the 2 self-operated retail stores in Quanzhou and self-operated 34 retail outlets in Beijing), representing a net decrease of 399 retail outlets from 1,071 retail outlets as at 31 December 2017. The Group realigned its stores network and closed down certain under-performing retail outlets.

As of 31 December 2018, 87.6% of the retail outlets were located in department stores or shopping malls whereas 12.4% of the retail outlets were standalone stores.

Management Discussion and Analysis

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

As of 31 December 2018, approximately 34.8% of our retail outlets were located in first-tier cities and second-tier cities and the remaining retail outlets were located in lower tier cities including third-tier and fourth-tier cities. We believe our footprint has provided us with a strong foundation to capture future growth opportunities arising from different regions in the PRC.

The following table shows the number of retail outlets (including 2 self-operated retail outlets in Quanzhou and 34 self-operated retail outlets in Beijing) in first-tier cities, second-tier cities and lower-tier cities as of 31 December 2018:

	Number of stores			
Region	**As of 31 December 2018**		As of 31 December 2017	
First-tier cities (1)	**57**	**8.5%**	79	7.4%
Second-tier cities (2)	**177**	**26.3%**	241	22.5%
Third-tier cities (3)	**287**	**42.7%**	412	38.5%
Fourth-tier cities (4)	**151**	**22.5%**	339	31.6%
	672	**100.0%**	1,071	100.0%

Notes:

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

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

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

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

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

Distribution Channel Management

As of 31 December 2018, the Group's distribution network included 50 distributors (2017: 65) and 104 sub-distributors (2017: 149). Among the 50 distributors, 10 (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.

Management Discussion and Analysis

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.

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

Marketing and Promotion

The Group believes that brand awareness is crucial to its long-term business development and a cornerstone of its future success. During the Year, the Group invested moderately in advertising and promotion to enhance its brand awareness, including organizing presentation events for new products and engaging in online advertisement through internet, e.g. www.163.com, and software value-added services to improve our brandname.

The Group continued to upgrade its existing retail outlets to enhance and reinforce its brand image. The Group decorated 49 new stores and renovated 43 existing stores during the Year. We endeavor to continue to gradually upgrade some of the stores operated by our distributors and their sub-distributors through store renovation and improvement of in-store design and layout.

Design and Product Development

The Group always puts great emphasis on product design and quality, as we believe our ability and commitment to provide fashionable and comfortable products have been integral to our success. As of 31 December 2018, our product design and development team consisted of 56 members. The key team members, who plan, implement, supervise and manage the design and development efforts, have an average of 10 years of experience in the fashion industry. We will continue to invest in our product design and research and development capabilities to capture fashion trends and product designs.

Sales Fairs

We generally organize sales fairs at our headquarters in Quanzhou to showcase our upcoming products for the spring/summer and autumn/winter collections to our existing and potential distributors and their sub-distributors. We review our distributors' orders placed at our sales fairs to ensure that they are reasonable and in line with the relevant distributor's capacity and development plans. The sales fairs for 2018 autumn/winter collections and 2019 spring/summer collections were held in March 2018 and September 2018, respectively.

Liquidity and Financial Resources and Capital Structure

As at 31 December 2018, the total cash and bank balances of the Group were approximately RMB624.5 million (2017: RMB577.7 million), comprising cash and cash equivalents of approximately RMB541.4 million (2017: RMB502.1 million), pledged bank deposits of approximately RMB70.6 million (2017: RMB67.9 million), and fixed deposits held at bank with original maturity over three months of approximately RMB12.5 million (2017: RMB7.7 million).

As at 31 December 2018, the Group had a total of interest bearing borrowings of RMB529.3 million (2017: RMB483.0 million) comprising bank borrowings of approximately RMB434.8 million (2017: RMB483.0 million), corporate borrowings of approximately RMB50.0 million (2017: Nil) and corporate bonds of approximately RMB44.5 million (2017: Nil). The Group's borrowings were primarily denominated in RMB and HK$ (2017: in both RMB and HK$) and bear interest at the fixed rate (2017: RMB393.8 million at fixed rate and RMB89.2 million at variable rate) ranging from 3.75% to 9.0% (2017: 2.6% to 5.66%) per annum.

The maturity profile of the borrowings as at 31 December 2018 was as follows:

	2018		2017	
	RMB million	**%**	RMB million	%
— Within 1 year or on demand	**434.8**	**82.1%**	483.0	100.0%
— Over 1 but within 2 years	**26.5**	**5.0%**	–	–
— Over 2 but within 5 years	**7.7**	**1.5%**	–	–
— Over 5 years	**60.3**	**11.4%**	–	–
Total	**529.3**	**100.0%**	483.0	100.0%

As at 31 December 2018, the Group had a net cash balance of approximately RMB95.2 million (2017: RMB94.7 million). The Group's gearing ratio is measured by the total interest-bearing borrowings divided by total equity and multiplied by 100%. As at 31 December 2018, the gearing ratio was 37.5% (2017: 33.1%). The increase was mainly due to the increase of interest bearing borrowings.

Cash inflow from operating activities for the Year amounted to approximately RMB99.3 million (2017: RMB278.2 million). The decrease was mainly attributed to a decrease in operating profit before changes in working capital of approximately RMB110.5 million and a decrease in working capital balance of RMB120.3 million, offset by a decrease of income tax paid of RMB51.9 million.

The cash flow used in investing activities for the Year amounted to approximately RMB78.4 million (2017: RMB475.7 million). The amount mainly included payment for purchase of financial assets at amortised cost of RMB42.0 million, payment for purchase of property, plant and equipment and intangible assets and prepayment for construction in progress of RMB24.5 million, and deposit placed for a life insurance policy of RMB6.6 million.

Cash inflow from financing activities for the Year was approximately RMB18.4 million (2017: cash outflow of RMB143.3 million). The amount included net bank and other borrowings of RMB91.0 million and cash generated from corporate bonds of RMB47.9 million, offset by interest paid of RMB120.5 million.

As at 31 December 2018, the Group's total equity decreased by approximately RMB42.6 million to approximately RMB1,409.7 million (2017: RMB1,452.3 million). The decrease was mainly due to the decrease of intangible assets and goodwill, and the increase of corporate bonds.

Trade Working Capital Ratios

The Group's average inventory turnover days was 44 days for the Year, an increase of 17 days from 27 days for the previous year. The increase was mainly due to the termination of distribution relationship with some distributors who have slow repayment history during the Year, which some of them had already placed orders in the 2018 spring/summer and 2018 autumn/winter sales fair.

The Group's average trade receivables turnover days was 114 days for the Year, an increase of 21 days from 94 days for the previous year. Netting the balance of RMB214.9 million provision on the book at the beginning of the Year, a provision of RMB19.2 million was made during the Year. As at 31 December 2018, the Group's total trade receivables decreased by approximately 25.2% year-on-year to RMB191.9 million (31 December 2017: RMB256.6 million).

The Group's average trade payables turnover days was 27 days for the Year, an increase of 2 days from 25 days for the previous year.

The Group recorded a net cash position as at 31 December 2018 and 31 December 2017.

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

Charges of Assets

As at 31 December 2018, secured bank borrowings were secured by bank deposits, certain buildings, investment properties and land use rights with carrying value of RMB70.6 million (2017: RMB67.9 million), RMB218.9 million (2017: RMB233.4 million), RMB22.6 million (2017: RMB23.7 million) and RMB253.1 million (2017: RMB260.2 million), respectively. Details of secured bank borrowings are set out in Note 26 to the consolidated financial statements.

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

Acquisition of E-Commerce Online Platform

In July 2018, we completed an acquisition, which pursuant to the share transfer agreement to acquire 100% of the equity interests in Tianjin Yuexin, for a total cash consideration of RMB10,000,000 (the "E-Commerce Acquisition"). Tianjin Yuexin has an online platform and retail stores to retail and distribute consumer goods such as high-end food products in the PRC. For details, please refer to the announcement of the Company dated 31 July 2018.

Subscribe for Investment Fund

In August 2018, an indirect wholly-owned subsidiary of the Company, Beijing Ruibao Investment Fund Co., Limited* (北京瑞保投資基金有限公司) and China Bohai Bank Co., Ltd* (渤海銀行股份有限公司) entered into a subscription agreement, pursuant to which the Subscriber has agreed to subscribe for New Retail Industry Merger and Acquisition Private Equity Investment Fund* (新零售產業併購私募投資基金) (target fund size of RMB200,000,000) at a total consideration of RMB40,000,000 with a return of 12% per annum, being the benchmark interest rate (the "Subscription"). For details, please refer to the announcement of the Company dated 1 August 2018.

* *For identification purpose only*

Acquisition of Goose Factory

In November 2018, we completed an acquisition, which pursuant to the share transfer agreement to acquire 60% of the equity interests in Dongda Goose Industry, for a total cash consideration of RMB5,000,000 (the "Goose Industry Acquisition"). Dongda Goose Industry operates in Shandong with its primary business operation in hatching, raising and butchering of landes goose. Landes goose is of French origins. It is renowned for storing significant amount of fat in its liver. This natural physiological capacity allows production of high-quality foie gras and goose liver paste products.

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

Future Plans for Material Investments and Capital Assets

Fordoo commercial center

Our Fordoo commercial center project in Hui'an is under the construction stage. The whole project is principally funded by cash generated from our operations and bank borrowings. To cooperate with the facilitates of the government, we expect the whole constructions will be completed by 2021.

Capital Commitments and Contingencies

As at 31 December 2018, the Group had a total capital commitment of RMB182.9 million. It was primarily related to the proposed construction of Fordoo commercial centre in Hui'an, Fujian Province. All the capital commitments are expected to be financed by our operations and bank borrowings.

As at 31 December 2018, the Group had no material contingent liabilities.

Foreign Currency Exposure

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

Employees, Training, and Development

The Group had a total of 1,460 employees as at 31 December 2018 (2017: 2,169). Total staff costs for the year amounted to approximately RMB15.6 million (2017: RMB139.1 million).

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

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

Dividend

The Directors do not recommend the declaration of the payment of a final dividend for the Year.

Closure of Register of Members

The register of members of the Company will be closed from Monday, 27 May 2019 to Friday, 31 May 2019 (both days inclusive) for the purpose of determining entitlements of Shareholders to attend and vote at the forthcoming annual general meeting (the "2019 AGM"). In order to qualify for attending and voting at the 2019 AGM, all transfers of Shares accompanied by the relevant share certificate must be lodged with the Company's share registrar and transfer office, Boardroom Share Registrars (HK) Limited, Room 2103B, 21/F, 148 Electric Road, North Point, Hong Kong not later than 4:30 p.m. on Friday, 24 May 2019.

Use of Proceeds

The Shares were listed on the Main Board of The Stock Exchange of Hong Kong Limited (the "Stock Exchange") on 16 July 2014 with net proceeds (the "Net Proceeds") from the global offering of approximately HK$454.7 million (after deducting underwriting commissions and related expenses). Part of these proceeds were applied during the 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 2018, the Group had utilised HK$380.4 million of the Net Proceeds and unutilised Net Proceeds amounted to HK$74.3 million.

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

Use of net proceeds during the Year	**HK$ million**
Brand promotion and marketing	**–**
Research, design and product development	**10.0**
Repay a portion of our bank borrowings	**–**
Expand distribution network and provide storefront decoration	**–**
Install ERP system	**3.6**
Working capital and other general corporate purposes	**–**
	13.6

As at 31 December 2018, the accumulated use of the Net Proceeds is set out below:	**Available for use HK$million**	**Utilized (as at 31 December 2018) HK$million**	**Unutilized (as at 31 December 2018 HK$million**
Brand promotion and marketing	**122.8**	**(122.8)**	**–**
Research, design and product development	**90.9**	**(42.1)**	**48.8**
Repay a portion of our bank borrowings	**90.9**	**(90.9)**	**–**
Expand distribution network and provide storefront decoration	**59.1**	**(59.1)**	**–**
Install ERP system	**45.5**	**(20.0)**	**25.5**
Working capital and other general corporate purposes	**45.5**	**(45.5)**	**–**
	454.7	**(380.4)**	**74.3**

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

Corporate Governance Report

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

CORPORATE GOVERNANCE CODE

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

Under Code provision A.6.7, independent non-executive directors and other non-executive directors should attend general meetings and develop a balanced understanding of the view of the shareholders. Due to other pre-arranged business commitments, Mr. Cheung Chiu Tung and Ms. Huang Yumin, both independent non-executive Directors, and Ms. Yuan Mei Rong, an executive Director, were not able to attend the annual general meeting of the Company held on 17 May 2018 (the "2018 AGM"). 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.

BOARD OF DIRECTORS

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

The Board currently comprises three executive Directors, namely Mr. Kwok Kin Sun, Mr. Kwok Hon Fung and Ms. Mo Wei, and three independent non-executive Directors, namely, Mr. Cheung Chiu Tung, Mr. Poon Yick Pang Philip and Ms. Huang Yumin.

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

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

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

Mr. Yuan Meirong tendered her resignation as an executive Director but remained as the vice general manager of the Group with effect from 21 December 2018 in order to devote more time in finance and administrative areas in the subsidiaries of the Group.

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

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

Corporate Governance Report

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

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

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

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

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

DIRECTORS' AND OFFICERS' INSURANCE

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

DIRECTORS' CONTINUOUS TRAINING AND PROFESSIONAL DEVELOPMENT

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

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

CHAIRMAN AND CHIEF EXECUTIVE OFFICER

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

INDEPENDENCE OF INDEPENDENT NON-EXECUTIVE DIRECTORS

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

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

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

BOARD COMMITTEES

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

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

Audit Committee

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

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

The members of the audit committee reviewed and discussed with the external auditors of the Company the consolidated financial statements of the Group for the year ended 31 December 2018, including the accounting principles and practices adopted by the Group and the report prepared by the external auditors covering major findings in the course of the audit. During the Year, the audit committee held two meetings.

Remuneration Committee

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

The primary functions of the remuneration committee are to review and approve the management's remuneration proposals with reference to the Board's corporate goals and objects and make recommendations to the Board on the remuneration package of the individual executive Directors and senior management and on the establishment of a formal and transparent process for developing such remuneration policy. No executive Director takes part in any discussion on his own remuneration. The Company's objective for its remuneration policy is to maintain fair and competitive packages based on business requirements and industry practice. In order to determine the level of remuneration and fees paid to members of the Board, market rates and factors such as each Director's workload, performance, responsibility, job complexity and the Group's performance are taken into account. The Company also adopted a share option scheme on 9 June 2014 for the purpose of rewarding, among others, directors, executives, officers and employees of the Company or any of its subsidiaries, for their past contributions and attracting and retaining, or otherwise maintaining on-going relationships with such persons who are significant to and/or whose contributions are or will be beneficial to the performance, growth or success of the Group.

The remuneration committee held two meetings during the Year and has reviewed the remuneration policy and structure relating to the Directors and senior management of the Company.

The remuneration of the members of the senior management of the Group by band for the year ended 31 December 2018 is set out below:

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

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

Nomination Committee

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

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

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

CORPORATE GOVERNANCE FUNCTION

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

BOARD PROCEEDINGS

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

The table below sets out the attendance of each Director at the 2018 AGM and the meetings of the Board and the Board committees held during the Year:

	Meetings attended/held				
	2018 AGM	Board	Audit Committee	Remuneration Committee	Nomination Committee
Executive Directors					
Mr. Kwok Kin Sun	1/1	13/14	N/A	N/A	2/2
Mr. Kwok Hon Fung	1/1	14/14	N/A	N/A	N/A
Ms. Yuan Mei Rong (resigned on 21 December 2018)	0/1	13/13	N/A	N/A	N/A
Ms. Mo Wei (appointed on 1 March 2018)	1/1	11/11	N/A	N/A	N/A
Independent non-executive Directors					
Mr. Cheung Chiu Tung	0/1	14/14	2/2	2/2	N/A
Mr. Poon Yick Pang Philip	1/1	14/14	2/2	2/2	2/2
Mr. Shen Li (resigned on 1 February 2018)	N/A	1/1	N/A	1/1	1/1
Ms. Huang Yumin (appointed on 1 February 2018)	0/1	12/13	2/2	1/1	1/1

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

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

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

APPOINTMENT AND RE-ELECTION OF DIRECTORS

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

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

DIVIDEND POLICY

The declaration, payment and amount of dividends will be subject to the discretion of the Board and the approval of the shareholders of the Company, and will depend on the following factors:

— our earnings and financial condition;

— operating requirements;

— capital requirements; and

— other factors that our Directors may consider relevant.

The payment of dividends by the Company is also subject to all applicable laws and regulations and the articles of association of the Company.

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, which have been adopted by the Company as measurable objectives for the purpose of implementation of the Board Diversity Policy. The Board has achieved all of the measurable objectives under the Board Diversity Policy.

NOMINATION POLICY

Pursuant to the CG Code relating to nomination policy which has come into effect since 1 January 2019, the Board adopted a nomination policy (the "Nomination Policy") on 21 December 2018. The Nomination Committee shall consider a number of factors in making nominations, including but not limited to reputation; skill, experience and professional expertise; diversity in all its aspects; commitment in respect of available time and the independence criteria applicable to the candidate to be nominated as an independent non-executive director. The Nomination Policy also sets out some nomination procedures:

- The Company Secretary shall call a meeting of the Nomination Committee, and invite nominations of candidates from Board members if any, for consideration by the Nomination Committee prior to its meeting. The Nomination Committee may also put forward candidates who are not nominated by Board members;

- For filling a casual vacancy, the Nomination Committee shall make recommendations for the Board's consideration and approval. For proposing candidates to stand for election or re-election at a general meeting, the Nomination Committee shall make nominations to the Board for its consideration and recommendation;

- In order to provide information of the candidates nominated by the Board to stand for election or re-election at a general meeting, a circular will be sent to the shareholders. The name, brief biographies (including qualifications and relevant experience), independence, proposed remuneration and any other information, as required pursuant to the applicable laws, rules and regulations, of the proposed candidates will be included in the circular to shareholders; and

- The Board shall have the final decision on all matters relating to its recommendation of candidates to stand for election or re-election at any general meeting.

COMPLIANCE WITH THE MODEL CODE

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

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

COMPANY SECRETARY

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

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

FINANCIAL REPORTING AND INTERNAL CONTROLS

Financial Reporting

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

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

Risk Management and Internal Controls

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

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

Corporate Governance Report

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

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

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

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

The Board appointed ZHONGHUI ANDA Risk Services Limited to conduct a review of the effectiveness of the Group's internal control and risk management system and to provide services for Enterprise Risk Management during the Year.

Procedures and Internal Controls for the Handling and Dissemination of Inside Information

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

EXTERNAL AUDITOR

Elite Partners CPA Limited has been appointed as the external auditor of the Company. The independence of the external auditor is recognized and annually reviewed by the Board and the audit committee of the Company. During the financial year, the fees paid and payable to Elite Partners CPA Limited in respect of its audit services (including interim review) provided to the Group was RMB2.2 million. Fee payable to Elite Partner CPA Limited in respect of completion audit for the Goose Industry Acquisition amounted to RMB0.1 million.

NON-COMPETE UNDERTAKING BY CONTROLLING SHAREHOLDERS

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

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

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

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

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

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

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

COMMUNICATION WITH SHAREHOLDERS AND SHAREHOLDERS' RIGHTS

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

(i) Participation at General Meeting

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

(ii) Enquiries and Proposals to the Board

The Company encourages the Shareholders to attend Shareholders' meetings and make proposals by either directly raising questions on both operational and governance matters to the Board and Board committees at the general meetings or providing written notice of such proposals for the attention of the Company Secretary at the registered office of the Company in Hong Kong currently situated at Office 812, Unit 1908, 19/F, 9 Queen's Road Central, Central, Hong Kong or via email to ir@fordoo.cn.

(iii) Convening Extraordinary General Meeting

The Directors may, whenever they think fit, convene an extraordinary general meeting. Extraordinary general meetings shall also be convened on the requisition of one or more shareholders holding, at the date of deposit of the requisition, not less than one tenth of the paid up capital of the Company having the right of voting at general meetings. Such requisition shall be made in writing to the Directors or the Company Secretary and deposited at the registered office of the Company in Hong Kong currently situated at Office 812, Unit 1908, 19/F, 9 Queen's Road Central, Central, Hong Kong for the purpose of requiring an extraordinary general meeting to be called by the Directors for the transaction of any business specified in such requisition. Such meeting shall be held within two months after the deposit of such requisition. If within 21 days of such deposit the Directors fail to proceed to convene such meeting, the requisitionist(s) himself (themselves) may do so in the same manner, and all reasonable expenses incurred by the requisitionist(s) as a result of the failure of the Directors shall be reimbursed to the requisitionist(s) by the Company.

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

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

(iv) Procedures for Proposing a Person for Election as a Director

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

CONSTITUTIONAL DOCUMENTS

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

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

Biographical Details of Directors and Senior Management

Our Board is responsible and has general powers for the management and conduct of our business. Our Board currently consists of 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 63, 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 29, 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. Mo (莫薇), aged 35, is an executive Director. She has over 10 years' experience in accounting, human resources and management industry. She is currently director of several subsidiaries of the Group. Before joining the Group, she worked as the director and chief financial officer of a private biotechnology company and had served in Zhongxing Telecommunication Equipment Corporation (中興通訊股份有限公司) and Xinjiang Uygur Autonomous Region people's Government in Xi'an Office (新疆人民政府駐西安辦事處). Ms. Mo obtained her bachelor's degree in Chinese linguistics & Literature at Northwest University (西北大學).

INDEPENDENT NON-EXECUTIVE DIRECTORS

Mr. Cheung Chiu Tung (張照東), aged 44, is an independent non-executive Director. Mr. Cheung joined our Group on 9 June 2014 and was appointed as an independent non-executive Director and the chairman of the remuneration committee of our Company on 9 June 2014. He is currently an associate professor in the law faculty in Huaqiao University (華僑大學) and has been the legislative consultant of Xiamen Municipal Bureau of Legislative Affairs (廈門市法制局) which carries out research on the lawmaking of the Municipal Government of Xiamen, implements and inspects the responsibility mechanism of administration and law execution as well as the appraisal and examination system since July 2011. He was a deputy director of the All China Lawyers Association Labor and Social Security Law Committee (中華全國律師協會勞動與社會保障法專業委員會) since January 2009. Mr. Cheung obtained his bachelor's degree in law from Xiamen University (廈門大學) in the PRC in 1996, his master's degree in economics and law from Huaqiao University (華僑大學) in the PRC in 1999, his doctorate degree in international economics and law from Xiamen University (廈門大學) in September 2003 and his post-doctoral degree in economics from Fujian Normal University (福建師範大學) in 2009 in the PRC.

Biographical Details of Directors and Senior Management

Mr. Poon Yick Pang Philip (潘翼鵬), aged 49, is an independent non-executive Director. Mr. Poon joined our Group on 16 August 2016 and was appointed as an independent non-executive Director and the chairman of the audit committee of the Company on 16 August 2016.

Mr. Poon has over 20 years of corporate finance and accounting experience. He is an independent non-executive director of Jiangnan Group Limited (stock code: 1366), which is listed on the Main Board of the Stock Exchange.

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

Ms. Huang Yumin (黃宇敏), aged 42, is an independent non-executive Director. Ms. Huang joined our Group on 1 February 2018. She had worked as vice president in Kunwu JiuDing Capital Co., Ltd (昆吾九鼎投資管理有限公司) from 2011 to 2012, and also served various positions in Bank of China International Capital Limited (中銀國際投資有限公司) from 2009 to 2011 and Fortis HaiTong Investment Management Co., Ltd (海富通基金管理有限公司) from 2007 to 2008. Ms. Huang obtained her bachelor's degree in Economics from Fudan University (復旦大學) in 2000, and obtained Master of Accounting from Macquarie University in 2004. She is a Certified Practising Accountant (Australia).

SENIOR MANAGEMENT

Ms. Yuan Mei Rong (袁美榮), aged 65, is the vice general manager of our Group. She is primarily responsible for the finance and administrative functions of the subsidiaries of the Group. She joined our Group in October 1996 and was an executive Director of the Company between 2014 and 2018. Ms. Yuan has over 25 years' experience in accounting, human resources and management aspect.

Mr. Chen Jianxin (陳建鑫), aged 45, is the head of the production planning department. He joined our Group in October 1996. He became a supervisor of our Group in 1996 and was responsible for the manufacture of apparel products. Between 2004 and 2008, he served as the factory manager (廠長) for the production of business formal and business casual trousers. He was appointed as the head of the production planning department of Fordoo Clothing in 2009, and was responsible for the management of the department.

Environmental, Social and Governance Report

This report highlights the Group's management and strategic approach, priorities and commitment in environmental and social aspects. The report covers China Fordoo Holdings Limited and its subsidiaries engaging in the menswear business, excluding the newly acquired landes goose business in Shandong and the online platform and retail stores to retail and distribute consumer goods such as high-end food products, and covers the period from 1 January 2018 to 31 December 2018. It has been prepared in compliance with the Environmental, Social and Governance ("ESG") Reporting Guide set out in Appendix 27 to the Rules Governing the Listing of Securities of The Stock Exchange of Hong Kong Limited (the "Listing Rules").

A. ENVIRONMENTAL ASPECTS

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

1) Emissions

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

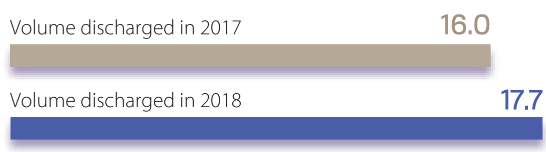
Total volume of waste gases emissions

Total Volume discharged – Carbon monoxide

Carbon monoxide (Tons)

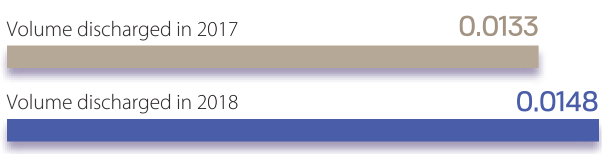
Total Volume discharged – Carbon dioxide

Carbon dioxide (Tons)



Total Volume discharged – Nitrogen oxides

Nitrogen oxides (Tons)



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

Waste Gas Emission Reduction

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

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

Solid waste separation and recycling program

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

2) Use of Resources

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

During the year ended 31 December 2018, the Group's production output decreased by 54.3% to 2,637,165 units compared to the year ended 31 December 2017 (2017: 5,767,826), with consumption of electricity of 2,948,826 Kwh, decreased by 33.4%, and consumption of electricity per unit production increased by 45.5%. Since 2011, the Group has been using environmental friendly natural gas to substitute heavy fuel oil in the process of boiler heating, drastically reducing emissions and effectively reducing adverse impacts on environment.

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

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

Total Consumption – Natural Gas

Natural Gas (Cubic Feet)

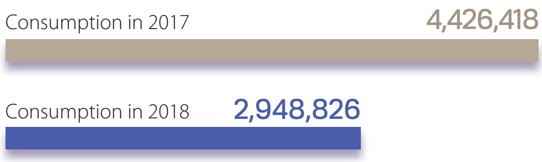
Consumption per unit production – Natural Gas

Natural Gas per unit production (Cubic Feet)

Notes: Natural gas was used for boiler heating

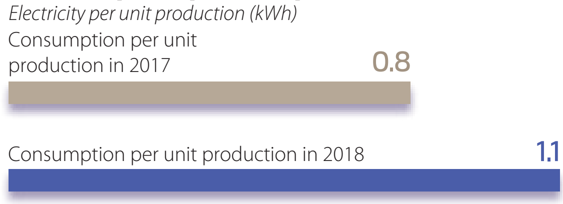
Total Consumption — Electricity

Electricity (kWh)



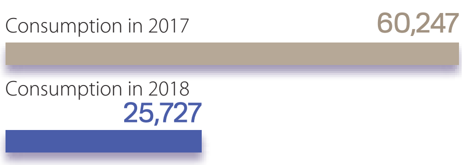
Consumption per unit production — Electricity

Electricity per unit production (kWh)



Total Consumption — Water

Water (Cubic Metres)



Consumption per unit production — Water

Water per unit production (Cubic Metres)

Electricity management

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

3) The Environment and Natural Resources

The Group pursues a high degree of automation in our manufacturing processes to enhance production efficiency significantly, which enables us to make better use of natural resources and reduce the pressure to the environment caused by production emissions. Almost all of our production 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. Purchased from highly recognized international equipment, our optimize production equipment help to avoid wastes due to equipment failure.

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

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

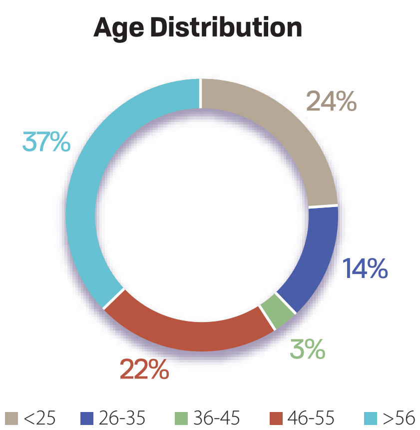
B. SOCIAL ASPECTS

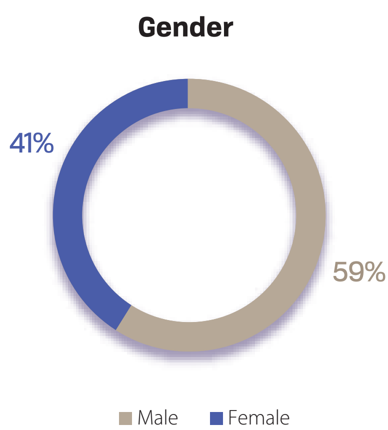
Employment and Labour Practices

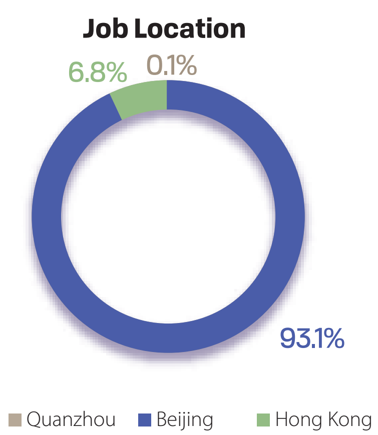
1) Employment

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

As at 31 December 2018, the Group had a total of 1,460 employees (2017: 2,169), included in the amount were 918 employees worked in menswear businesses. The charts below show the demographics of the Group's workforce as at 31 December 2018 (counted menswear business only).







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

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

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

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

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

4. The Group has established an anti-discrimination policy and complied with the requirements of relevant laws. There has been no occurrence of discrimination in the Group against race, region, nationality, age, pregnancy or disability in respect to employee recruitment, training, salary and promotion for the financial year ended 31 December 2018.

The Group's monthly average staff turnover rate in 2018 was 7.6% (2017: 2.8%). The Group maintained a relatively low staff turnover rate, reflecting a high level of employee satisfaction and engagement with the Group, attributable to the following effective measures and benefits:

- We offer free quality accommodation to 602 employees at our dormitory residence located at Quanzhou, Fujian Province, with a total gross floor area of approximately 27,269.9 sq.m. Designed with utmost comfort and recreation in mind, the dormitory residence features 34" LCD TVs, WiFi access, centralized air conditioning, separated bathrooms and water heaters, laundry and cooking facilities and extensive recreation facilities including basketball courts, a large ice skating rink, internet cafes, billiards room and gym rooms. We also have four restaurants offering a variety of dining options to our employees.

- Realizing that child care emerged as an important issue for employees in recent decades, the Group established a child care centre, "Love House" ("愛心屋"), in 2008 to provide support to our employees and their families with caregiving responsibilities. With full time daycare specialists, "Love House" ("愛心屋") provides six-days-a-week intensive care, supervision and a range of learning activities such as singing, dancing lessons to children of our employees aged between two years and six years. In 2017, we redecorated the child care centre and renamed as "Fordoo Child's Home" ("虎娃之家"), which contains one bedroom, one playroom, two classrooms, one lobby and two washrooms, is larger and brighter, and full of interests.

- In the past seven 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.

- We cultivate a harmonious corporate culture which engenders high levels of staff commitment and motivation. In 2018, we organized various regular staff development programs and recreational activities to encourage staff integration and boost team spirit, such as corporate team outings held during holidays, dispatch presents to all the female employees on the International Women's Day, and Fordoo 30th Anniversary Celebration Dinner "New Journey, Be Different".

The newly decorated child care centre, "Fordoo Child's Home" ("虎娃之家"), providing support to our employees and their families with caregiving responsibilities.

We dispatch presents to all the female employees on the International Women's Day on 8 March.

Fordoo 30th Anniversary Celebration Dinner "New Journey, Be Different"

2) Health and Safety

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

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

3) Development and Training

The Group strongly believes that experienced and skilled staff play an important role to success. We support our employees to develop and enhance their knowledge, skills and work capability. Various training courses are regularly conducted to promote loyalty, occupational safety, sales fairs planning, quality control, customer servicing skills and product knowledge. In 2018, 1,162 hours have been recorded in staff training.

There are 5 different employee training programs:

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

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

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

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

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

4) Labour Standards

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

Operating Practices

5) Supply Chain Management

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

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

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

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

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

6) Product Responsibility

The Group actively fulfill its responsibilities to the public over through its products. We have adopted the ISO 14001, ISO 9001 and OHSAS 18001 management systems to strengthen the health and safety, environmental protection and product quality management.

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

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

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

As of 31 December 2018, we had a team of 12 staff members in our quality control department. Our quality control system includes the following processes:

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

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

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

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

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

7) Anti-Corruption

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

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

COMMUNITY

8) Community Investment

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

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

Report of the Directors

The Directors are pleased to present the annual report together with the audited consolidated financial statements of the Group for the year ended 31 December 2018.

BUSINESS REVIEW

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

PRINCIPAL RISKS AND UNCERTAINTIES

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

(i) Fashion Risk

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

(ii) Intense Competition

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

(iii) Macroeconomic Environment

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

(iv) Supply Chain

We engage independent third-party manufacturers to produce our fabrics and raw materials, all accessory products and certain apparel products for us. Any disruption in the supply of fabrics, raw materials and products from suppliers may cause problems in our supply chain. We do not have long-term contracts with any of our suppliers and we may need to compete with other companies for fabrics, raw materials and other products. Nevertheless, we have developed long-standing and good relationships with a number of our vendors so as to minimize the impact from any supply disruptions and ensure we can locate alternative suppliers of comparable quality at a reasonable price all the times. For the year ended 31 December 2018, 39% (2017: 30.2%) of our products were produced by our top five suppliers.

(v) Credit Risk of our Distributors

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

(vi) Reputational Risk

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

(viii) Weather

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

KEY RELATIONSHIPS

(i) Employees

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

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

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

(ii) Suppliers

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

(iii) Distributors

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

ENVIRONMENTAL POLICIES

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

PRINCIPAL PLACE OF BUSINESS

The Company was incorporated in the Cayman Islands and is domiciled in Hong Kong and has its registered office at Office 812, Unit 1908, 19/F, 9 Queen's Road Central, Central, Hong Kong. The Group's principal place of business is in the PRC.

PRINCIPAL ACTIVITIES

The principal activities of the Group are manufacturing and wholesaling of menswear in the mainland China. The principal activities and other particulars of the subsidiaries are set out in note 37 to the consolidated financial statements.

MAJOR CUSTOMERS AND SUPPLIERS

During the Year, aggregate sales to the Group's largest and five largest customers accounted for approximately 14% (2017: 19%) and 38% (2017: 32%), respectively, of the Group's total revenue for the Year.

Aggregate purchases from the Group's largest and five largest raw materials suppliers accounted for approximately 12% (2017: 12%) and 39% (2017: 30%), respectively, of the Group's total purchases of raw materials for the Year.

Aggregate purchases from the Group's largest and five largest suppliers of OEM products accounted for approximately 42% (2017: 31%) and 92% (2017: 69%), respectively, of the Group's total purchases from OEM contractors for the Year.

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

FIVE-YEAR FINANCIAL SUMMARY

A summary of the results and of the assets and liabilities of the Group for the latest five financial years is set out on page 136 of this annual report. This summary does not form part of the audited consolidated financial statements.

FINANCIAL STATEMENTS

The profit of the Group for the Year and the state of the Company's and the Group's affairs as at that date are set out in the consolidated financial statements on pages 62 to 135 of the annual report.

PROPERTY, PLANT AND EQUIPMENT

Details of movements in property, plant and equipment of the Group during the Year are set out in note 12 to the consolidated financial statements.

RESERVES

Details of movements in reserves of the Company and the Group are set out in note 32 to the consolidated financial statements and in the consolidated statement of changes in equity, respectively.

As at 31 December 2018, the Company's reserves available for distribution amounted to approximately HK$94.6 million.

Report of the Directors

DIVIDEND

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

BORROWINGS

Particulars of borrowings of the Group as at 31 December 2018 are set out in note 26 to the consolidated financial statements.

NON-CURRENT ASSETS

Details of acquisitions and other movements of non-current assets (including property, plant and equipment, investment properties and lease prepayments) are set out in notes 12 to 20 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 32 to the consolidated financial statements.

SUFFICIENCY OF PUBLIC FLOAT

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

PRE-EMPTIVE RIGHTS

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

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

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

TAX RELIEF AND EXEMPTION

The Directors are not aware of any tax relief and exemption available to the shareholders of the Company by reason of their holding of the Company's securities.

DIRECTORS

The Directors during the financial year were:

Executive Directors

Mr. Kwok Kin Sun *(Chairman)*
Mr. Kwok Hon Fung *(Chief Executive Officer)*
Ms. Mo Wei (appointed on 1 March 2018)
Ms. Yuan Mei Rong (resigned on 21 December 2018)

Independent Non-Executive Directors

Mr. Cheung Chiu Tung
Mr. Poon Yick Pang Philip
Ms. Huang Yumin (appointed on 1 February 2018)
Mr. Shen Li (resigned on 1 February 2018)

Each of the executive Directors and independent non-executive Directors has entered into a service contract or letter of appointment with the Company for a term of three years commencing from the Listing Date or their respective date of appointment, subject to his retirement and re-election at annual general meetings in accordance with the Articles. The details of the remuneration of each of the Directors are revealed in note 9 to the consolidated financial statements.

Details of the Directors' biographies have been set out on pages 32 to 33 of this annual report. In accordance with article 84 of the Articles, Mr. Cheung Chiu Tung and Mr. Pang Yick Pang Philip will retire from the Board by rotation at the 2019 AGM and, being eligible, offer themselves for re-election.

No Director proposed for re-election at the 2019 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 pages 25 of this annual report.

MANAGEMENT CONTRACTS

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

CONFIRMATION OF INDEPENDENCE

The Company considers that Ms. Huang Yumin has met the independence guidelines set out in Rule 3.13 of the Listing Rules.

The Company has also 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 2018, the interests and short positions of each Director and chief executive of the Company in the Shares, underlying Shares and debentures of the Company and its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance ("SFO")), as recorded in the register required to be kept by the Company pursuant to Section 352 of the SFO, or as otherwise notified to the Company and the Stock Exchange pursuant to the Model Code were as follows:

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

Name	Position	Nature of interest	Number of issued ordinary shares held	Number of underlying shares under share options held (3)	Total	Approximate percentage of shareholding
Mr. Kwok Kin Sun (1)	Long	Interest in a controlled corporation	232,800,000	–	232,800,000	48.41%
Mr. Kwok Hon Fung (2)	Long	Interest in a controlled corporation	50,400,000	–	50,400,000	10.48%
Ms. Yuan Mei Rong	Long	Beneficial owner	–	400,000	400,000	0.0832%
Mr. Cheung Chiu Tung	Long	Beneficial owner	–	300,000	300,000	0.0624%

Notes:

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

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

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

Save as disclosed above, as at 31 December 2018, none of the Directors and chief executive of the Company had or were deemed to have any interests or a short positions in the Shares, underlying Shares or debentures of the Company or any of its associated corporations that was required to be recorded pursuant to Section 352 of the SFO, or as otherwise notified to the Company and the Stock Exchange pursuant to the Model Code.

DIRECTORS' RIGHT TO ACQUIRE SHARE OR DEBENTURES

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

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

As at 31 December 2018, 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 and chief executive as disclosed above) as recorded in the register of interests required to be kept by the Company pursuant to Section 336 of Part XV of the SFO:

Name	Position	Nature of interest	Number of Shares	Approximate percentage of shareholding
Donghai International Financial Holdings Company Limited	Long	Security interest in Shares	232,800,000	48.41%
東海證券股份有限公司	Long	Security interest in Shares	232,800,000	48.41%
Ms. Wong Tung Yam [(1)]	Long	Interest of spouse	232,800,000	48.41%
Everkept	Long	Beneficial owner	232,800,000	48.41%
Asia United Fund	Long	Investment manager	77,146,000	16.04%
Equal Plus	Long	Beneficial owner	50,400,000	10.48%

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.

Save as disclosed above, as at 31 December 2018, the Company was not aware of any person or corporation having an interest or a short position in the Shares and underlying Shares of the Company which were required to be disclosed to the Company under the provisions of Division 2 and 3 of Part XV of the SFO, or which were recorded in the register required to be kept under section 336 of the SFO.

CHANGE OF DIRECTORS

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

CONNECTED TRANSACTIONS

Material related party transactions entered into by the Group during the Year, which did not constitute connected transactions (as defined under the Listing Rules) are disclosed in note 35 to the consolidated financial statements.

DIRECTORS' INTERESTS IN CONTRACTS

Save as disclosed in note 35 to the consolidated financial statements, there was no contract of significance to which the Company, or any of its holding company, subsidiaries or fellow subsidiaries was a party, and in which a Director had a material interest, subsisted for the Year.

TRANSACTIONS, ARRANGEMENT OR CONTRACTS OF SIGNIFICANCE

During the financial year, save as disclosed in note 35 to the consolidated financial statements, there had been no transaction, arrangement or contract of significance in which a Director or an entity connected with a Director is or was materially interested, either directly or indirectly.

COMPETING BUSINESS

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

SHARE OPTION SCHEME

The Company adopted a share option scheme on 9 June 2014 (the "Share Option Scheme") for the purpose of rewarding certain Eligible Persons (as defined below) for their past contributions and attracting and retaining, or otherwise maintaining on-going relationships with, such Eligible Persons (as defined below) who are significant to and/or whose contributions are or will be beneficial to the performance, growth or success of the Group. Subject to the earlier termination of the Share Option Scheme in accordance with the rules thereof, the Share Option Scheme shall remain in force for a period of ten years commencing on 9 June 2014. As at 31 December 2018, the remaining life of the Share Option Scheme was approximately 5 years and 5 months.

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

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

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

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

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

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

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

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

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

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

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

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

Category	Date of grant	Exercise price (HK$)	Exercisable period	As at 1 January 2018	Number of Share Options Granted	Exercised	Cancelled	Lapsed	As at 31 December 2018
Directors									
Yuan Mei Rong[Note]	7 October 2015	3.56	7 October 2016 to 6 October 2021	–	–	–	–	–	–
	7 October 2015	3.56	7 October 2017 to 6 October 2022	200,000	–	–	–	–	200,000
	7 October 2015	3.56	7 October 2018 to 6 October 2023	200,000	–	–	–	–	200,000
Cheung Chiu Tung	7 October 2015	3.56	7 October 2016 to 6 October 2021	100,000	–	–	–	–	100,000
	7 October 2015	3.56	7 October 2017 to 6 October 2022	100,000	–	–	–	–	100,000
	7 October 2015	3.56	7 October 2018 to 6 October 2023	100,000	–	–	–	–	100,000
Total				700,000	–	–	–	–	700,000

Note: Ms. Yuan Mei Rong resigned as an executive Director of the Company on 21 December 2018 but remained as the vice general manager of the Company. Under the Share Option Scheme, the share option held by Ms. Yuan did not lapse as she remained as an employee of the Company.

As at 31 December 2018, the total number of shares available for issue under the Share Option Scheme is 700,000, representing 0.15% of the Company's issued share capital as at the date of this report.

COMPLIANCE WITH THE CORPORATE GOVERNANCE CODE

In the opinion of the Directors, the Company has complied with all applicable code provisions of the CG Code as set out in Appendix 14 to the Listing Rules during the year ended 31 December 2018, except for a deviation from Code provision A.6.7.

Under Code provision A.6.7, independent non-executive directors and other non-executive directors should attend general meetings and develop a balanced understanding of the view of the shareholders. Due to other pre-arranged business commitments, Mr. Cheung Chiu Tung and Ms. Huang Yumin, both independent non-executive Directors and Ms. Yuan Mei Rong, an executive Director, were not able to attend the 2018 AGM held on 17 May 2018.

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 29 to the consolidated financial statements.

Report of the Directors

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.

Our Directors have reviewed and considered that the Company has fully made the necessary social contributions for the year ended 31 December 2018 in accordance with the Five-year Scheme.

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

IMPORTANT EVENTS AFTER THE REPORT PERIOD

On 13 March 2019, the Company entered into a memorandum of understating ("MOU") in relation to the possible acquisition of Karhoe Company Limited (嘉禾有限公司), a company established in the BVI which operates through its wholly owned subsidiary with its primary business operation engaged in property development and management in Liao Ning, the PRC (the "Possible Acquisition"). As at the date of this report, the Possible Acquisition has not materialised, and the provisions of the MOU are not legally binding save for the provisions relating to confidentiality and governing law and jurisdiction.

The Group considers that the Possible Acquisition, if materialised, will enable the Group to diversify and tap into assets management services business, thereby creating new sources of income.

For further details of the Possible Acquisition, please refer to the announcement of the Company dated 13 March 2019.

AUDITOR

The consolidated financial statements for the Year have been audited by Elite Partners CPA Limited, who shall retire and, being eligible, offer themselves for re-appointment at the 2019 AGM. A resolution for the re-appointment of Elite Partners CPA Limited as auditors of the Company is to be proposed at the 2019 AGM.

On behalf of the Board

Kwok Kin Sun
Chairman

Hong Kong
28 March 2019

Independent Auditor's Report

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

OPINION

We have audited the consolidated financial statements of China Fordoo Holdings Limited (the "Company") and its subsidiaries (collectively referred to as the "Group") set out on pages 62 to 135, which comprise the consolidated statement of financial position as at 31 December 2018, and the consolidated statement of profit or loss and other comprehensive income, the consolidated statement of changes in equity and the consolidated cash flow statement for the year then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion, the consolidated financial statements give a true and fair view of the consolidated financial position of the Group as at 31 December 2018, and of its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with International Financial Reporting Standards ("IFRSs") issued by the International Accounting Standards Board ("IASB") and have been properly prepared in compliance with the disclosure requirements of the Hong Kong Companies Ordinance.

BASIS FOR OPINION

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

KEY AUDIT MATTERS

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the consolidated financial statements for the year ended 31 December 2018. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Key audit matter	How the matter was addressed in our audit
Impairment assessment of goodwill and intangible assets As at 31 December 2018, the Group had goodwill of approximately RMB46,976,000 (2017: RMB72,456,000) and intangible assets of approximately RMB155,517,000 (2017: RMB198,917,000) which were belongs to multiple cash generating units ("CGUs") as detailed in note 15 and note 18. During the year ended 31 December 2018, the Group recognised impairment loss of goodwill of approximately RMB25,576,000. For the purpose of the impairment assessment of goodwill and intangible assets, the Group appointed an independent external valuer to assess the recoverable amount of the CGUs at the end of the reporting period. We had identified impairment assessment of goodwill and intangible assets as a key audit matter because significant management judgement was required to determine the key assumptions including estimated future income, operating margins and discount rate, etc. and the amounts involved were significant.	Our major audit procedures in relation to the impairment assessment of goodwill and intangible assets included the following: — We discussed with management as to whether there was any indicator of impairment. — We obtained cash flow forecasts relating to the CGU prepared by management and approved by the directors of the Company. — We discussed with management and independent external valuer engaged by the Company in relation to the methodology, basis and assumptions used in arriving at the forecasts (e.g. estimated sales growth rate and discount rate etc.) to see whether the methodology and assumptions used were reasonable and appropriate. — We checked, on a sample basis, the accuracy and reliance of the input data used. — We evaluated the competency of the independent external valuer taking into account its experience and qualifications.

Key audit matter	How the matter was addressed in our audit
Impairment of trade receivables	
As at 31 December 2018, the Group had trade receivables amounting to HK$425,974,000, net of allowance amounting to HK$234,115,000. Management judgment is required in assessing and determining the recoverability of trade receivables and adequacy of allowance made using the expected credit losses ("ECL") model under IFRS 9 "Financial Instruments". We had identified impairment assessment of trade receivables as a key audit matter because the assessment of the recoverability of trade receivables and recognition of loss allowance are inherently subjective and requires significant management judgement, which increases the risk of error or potential management bias.	Our major audit procedures relating to the impairment assessment of trade receivables included the following: — We tested the design and implementation of the relevant key controls over the assessment and monitoring of credit risks, and determination of allowance for expected credit losses. — We discussed with management and evaluated the ECL model used in determining the allowance for expected credit losses. We challenged and evaluated management's assessment on both the quantitative and qualitative information considered by them that is reasonable and supportable, including historical experience and forward looking information such as credit ratings, trade receivables ageing analysis, collections subsequent to the end of the reporting period, local economic conditions, past collection history and trend analysis and knowledge of the businesses. — We tested subsequent settlement of trade receivables balances on a sample basis. — We assessed whether the time value of money was considered in the expected credit loss impairment model and checked the mathematical accuracy of the calculations. — We assessed the adequacy of the Group's disclosures in relation to trade receivables included in the consolidated financial statements.

Key audit matter	How the matter was addressed in our audit
Business combination	
During the year ended 31 December 2018, the Group had biological assets of approximately RMB4,645,000 which relates to the acquisition of Linqu Dongda Goose Industry Company Limited ("Dongda Goose"). The acquisition of Dongda Goose is set out in Note 30 to the consolidated financial statements. For the purpose of the initial recognition of biological assets in business combination, the Group appointed an independent external valuer to assess the fair value of the identifiable net assets at initial recognition. We had identified business combination as a key audit matter because significant management judgement was required to determine the key assumptions including estimated future income, operating margins and discount rate, etc. and the amounts involved were significant.	Our major audit procedures in relation to the business combination included the following: — We tested the purchase price allocations in which we especially focused on the valuation of the identifiable assets of Dongda Goose and the related fair value adjustments. — We evaluated the timing and appropriateness of the accounting treatment and the consideration of the acquisition based on the contractual agreement. — We discussed with management and independent external valuer engaged by the Company in relation to the methodology, basis and assumptions used in arriving at the valuation to see whether the methodology and assumptions used were reasonable and appropriate. — We checked, on a sample basis, the accuracy and reliance of the input data used. — We evaluated the competency of the independent external valuer taking into account its experience and qualifications.

OTHER INFORMATION

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

Elite Partners CPA Limited
Certified Public Accountants

10/F., 8 Observatory Road,
Tsim Sha Tsui, Kowloon,
Hong Kong
28 March 2019

Consolidated Statement of Profit or Loss and Other Comprehensive Income

For the year ended 31 December 2018
(Expressed in Renminbi)

	Notes	2018 RMB'000	2017 RMB'000
Revenue	5	**611,049**	1,129,418
Cost of sales		**(402,632)**	(750,846)
Gross profit		**208,417**	378,572
Other income and other gains or losses	6	**10,828**	(4,609)
Selling and distribution expenses		**(63,902)**	(104,433)
Administrative and other operating expenses		**(180,064)**	(205,593)
(Loss)/profit from operations		**(24,721)**	63,937
Finance costs	7(a)	**(26,414)**	(21,400)
(Loss)/profit before taxation	7	**(51,135)**	42,537
Share of loss of an associate		**–**	(2,000)
Income tax	8	**6,996**	(18,411)
(Loss)/profit for the year		**(44,139)**	22,126
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")		**4,813**	8,872
Total comprehensive (loss)/income for the year		**(39,326)**	30,998
(Loss)/profit attributable to:			
Equity holders of the Company		**(44,437)**	22,126
Non-controlling interest		**298**	–
		(44,139)	22,126
Total comprehensive (loss)/income attributable to:			
Equity holders of the Company		**(39,624)**	30,998
Non-controlling interest		**298**	–
		(39,326)	30,998
(Loss)/earnings per share (RMB cents)			
— Basic and diluted	11	**(9.00)**	4.60

Consolidated Statement of Financial Position

At 31 December 2018
(Expressed in Renminbi)

	Notes	2018 RMB'000	2017 RMB'000
Non-current assets			
Property, plant and equipment	12	**254,476**	247,327
Biological assets	13	**2,774**	–
Construction in progress	14	**359,906**	343,314
Prepayment for construction in progress		**150,000**	150,000
Goodwill	15	**46,976**	72,456
Deposits placed for life insurance		**6,858**	–
Investment properties	16	**22,556**	23,743
Lease prepayments	17	**253,938**	260,238
Intangible assets	18	**158,012**	201,561
Deposit for acquisition of intangible assets		**12,917**	12,916
Investment in an associate	19	**–**	–
Deferred tax assets	27(a)	**58,469**	52,050
Financial assets at amortised cost	20	**41,612**	–
		1,368,494	1,363,605
Current assets			
Inventories	21	**44,669**	52,210
Biological assets	13	**1,871**	–
Trade and other receivables	22	**222,880**	286,082
Pledged bank deposits	23	**70,565**	67,886
Fixed deposits held at bank with original maturity over three months	24(a)	**12,530**	7,755
Cash and cash equivalents	24	**541,359**	502,107
		893,874	916,040
Current liabilities			
Trade, bills and other payables	25	**244,461**	253,367
Bank and other borrowings	26	**434,800**	482,992
Current taxation		**8,662**	3,548
		687,923	739,907
Net current assets		**205,951**	176,133
Total assets less current liabilities		**1,574,445**	1,539,738

The notes on pages 67 to 135 form part of these financial statements.

Consolidated Statement of Financial Position

At 31 December 2018
(Expressed in Renminbi)

	Notes	2018 RMB'000	2017 RMB'000
Non-current liabilities			
Deferred tax liabilities	27(a)	**70,225**	87,469
Bank and other borrowings	26	**50,000**	–
Corporate bonds	28	**44,494**	–
		164,719	87,469
Net assets		**1,409,726**	1,452,269
Capital and reserves			
Share capital	32(a)	**3,819**	3,819
Reserves	32(b)	**1,402,340**	1,448,450
Equity attributable to equity holders of the Company		**1,406,159**	1,452,269
Non-controlling interest		**3,567**	–
Total equity		**1,409,726**	1,452,269

Approved and authorised for issue by the board of directors on 28 March 2019.

Kwok Kin Sun
Chairman

Kwok Hon Fung
Director

The notes on pages 67 to 135 form part of these financial statements.

Consolidated Statement of Changes in Equity

For the year ended 31 December 2018
(Expressed in Renminbi)

		Attributable to equity owners of the Company									
	Notes	Share capital RMB'000 Note 32(a)	Share premium RMB'000 Note 32(b)(i)	Statutory reserve RMB'000 Note 32(b)(ii)	Capital reserve RMB'000 Note 32(b)(iii)	Exchange reserve RMB'000 Note 32(b)(iv)	Share-based payment reserve RMB'000 Note 32(b)(v)	Retained profits RMB'000	Sub-total RMB'000	non-controlling interest RMB'000	Total equity RMB'000
At 31 December 2016 and 1 January 2017		3,819	136,871	115,485	39,023	(24,677)	649	1,149,770	1,420,940	–	1,420,940
Changes in equity for 2017:											
Profit for the year		–	–	–	–	–	–	22,126	22,126	–	22,126
Other comprehensive income for the year	32(b)(iv)	–	–	–	–	8,872	–	–	8,872	–	8,872
Total comprehensive income		–	–	–	–	8,872	–	22,126	30,998	–	30,998
Appropriation to statutory reserve	32(b)(ii)	–	–	11,911	–	–	–	(11,911)	–	–	–
Equity-settled share-based payments for employees	32(b)(v)	–	–	–	–	–	331	–	331	–	331
Lapse of share options	32(b)(v)	–	–	–	–	–	(633)	633	–	–	–
At 31 December 2017 and 1 January 2018		**3,819**	**136,871**	**127,396**	**39,023**	**(15,805)**	**347**	**1,160,618**	**1,452,269**	**-**	**1,452,269**
Effect on initial application of IFRS 9		**-**	**-**	**-**	**-**	**-**	**-**	**(6,750)**	**(6,750)**	**-**	**(6,750)**
Adjusted balance at 1 January 2018		**3,819**	**136,871**	**127,396**	**39,023**	**(15,805)**	**347**	**1,153,868**	**1,445,519**	**-**	**1,445,519**
Changes in equity for 2018:											
(Loss)/profit for the year		**-**	**-**	**-**	**-**	**-**	**-**	**(44,437)**	**(44,437)**	**298**	**(44,139)**
Other comprehensive income for the year	32(b)(iv)	**-**	**-**	**-**	**-**	**4,813**	**-**	**-**	**4,813**	**-**	**4,813**
Total comprehensive income		**-**	**-**	**-**	**-**	**4,813**	**-**	**(44,437)**	**(39,624)**	**298**	**(39,326)**
Appropriation to statutory reserve	32(b)(ii)	**-**	**-**	**1,502**	**-**	**-**	**-**	**(1,502)**	**-**	**-**	**-**
Equity-settled share-based payments for employees	32(b)(v)	**-**	**-**	**-**	**-**	**-**	**264**	**-**	**264**	**-**	**264**
Acquisition of a subsidiary		**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**3,269**	**3,269**
At 31 December 2018		**3,819**	**136,871**	**128,898**	**39,023**	**(10,992)**	**611**	**1,107,929**	**1,406,159**	**3,567**	**1,409,726**

The notes on pages 67 to 135 form part of these financial statements.

Consolidated Cash Flow Statement

For the year ended 31 December 2018
(Expressed in Renminbi)

	Notes	2018 RMB'000	2017 RMB'000
Operating activities			
Cash generated from operations	24(b)	**110,329**	341,100
Income tax paid		**(11,012)**	(62,938)
Net cash generated from operating activities		**99,317**	278,162
Investing activities			
Payment for the purchase of property, plant and equipment and intangible assets		**(7,945)**	(9,637)
Payment for the deposit for acquisition of intangible assets		**–**	(3,871)
Payments of construction in progress		**–**	(87,587)
Prepayment for construction in progress		**(16,592)**	(150,000)
Payment of acquisition of subsidiaries		**(4,882)**	(262,374)
Proceeds from disposal of property, plant and equipment		**4,673**	1,016
(Increase)/decrease in fixed deposit held at banks with original maturity over three months		**(4,775)**	44,445
Increase in pledged bank deposits		**(2,679)**	(9,686)
Interest received		**2,336**	4,025
Deposit placed for a life insurance policy		**(6,576)**	–
Payment for purchase of financial assets at amortised cost		**(42,000)**	–
Capital injection in an associate		**–**	(2,000)
Net cash used in investing activities		**(78,440)**	(475,669)
Financing activities			
Proceeds from bank and other borrowings		**529,800**	393,800
Repayment of bank and other borrowings		**(527,992)**	(515,658)
Interest paid		**(31,309)**	(21,400)
Proceeds from issue of corporate bonds		**47,876**	–
Net cash generated from/(used in) financing activities		**18,375**	(143,258)
Net increase/(decrease) in cash and cash equivalents		**39,252**	(340,765)
Cash and cash equivalents at 1 January		**502,107**	842,872
Cash and cash equivalents at 31 December	24(a)	**541,359**	502,107

The notes on pages 67 to 135 form part of these financial statements.

Notes to the Financial Statements

(Expressed in Renminbi unless otherwise indicated)

1 GENERAL INFORMATION

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

The principal activity of the Company is investment holding. The subsidiaries of the Company are principally engaged in the manufacturing and wholesaling of menswear in the People's Republic of China (the "PRC").

At 31 December 2018, the directors consider the immediate parent of the Company to be Everkept Limited, which is incorporated in the BVI, and the ultimate controlling party of the Company to be Mr. Kwok Kin Sun.

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

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

In the current year, the Group has applied a number of amendments to IFRSs issued by the International Accounting Standards Board ("IASB") that are mandatorily effective for an accounting period that begins on or after 1 January 2018. These amendments have been applied by the Group for the first time in the current year unless otherwise specified. The impact of these amendments are described below.

IFRS 9	Financial Instruments
IFRS 15	Revenue from Contracts with Customers and the related Amendments
IFRIC-Int 22	Foreign Currency Transactions and Advance Consideration
Amendments to IFRS 2	Classification and Measurement of Share-based Payment
Amendments to IFRS 4	Applying IFRS 9 Financial Instruments with IFRS 4 Insurance Contracts
Amendments to IAS 28	As part of the Annual Improvements to IFRSs 2014–2016 Cycle
Amendments to IAS 40	Transfers of Investment Property

Except as described below, the application of the new and amendments to IFRSs in the current year has had no material impact on the Group's financial performance and positions for the current and prior years and/or on the disclosures set out in these consolidated financial statements.

(Expressed in Renminbi unless otherwise indicated)

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

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

(a) IFRS 9 — Financial Instruments

IFRS 9 replaces the provisions of IAS 39 "Financial Instruments: Recognition and Measurement" that relate to the classification and measurement of financial assets and financial liabilities, impairment for financial assets and hedge accounting.

In accordance with the transitional provisions in IFRS 9, the Group has taken the exemption under IFRS 9 not to restate comparative information for prior periods with respect to classification and measurement (including impairment) requirements. Differences in the carrying amounts of financial assets resulting from the adoption of IFRS 9 are recognised in opening retained profits as at 1 January 2018. Accordingly, the information presented for 2017 has been presented, as previously reported, under IAS 39.

The amount by which each financial statement line item is affected by the adoption of IFRS 9 on the date of initial application is shown as follows.

	Carrying amount as at 31 December 2017 RMB'000	Effect of adoption of IFRS 9 (note ii) RMB'000	**Carrying amount as at 1 January 2018 RMB'000**
Consolidated statement of financial position (extract)			
Trade and other receivables	286,082	(6,750)	**279,332**
Retained profits (reserves)	(1,160,618)	6,750	**(1,153,868)**

(i) Classification and measurement

From 1 January 2018, all recognised financial assets that are within the scope of IFRS 9 are required to be subsequently measured at amortised cost or fair value on the basis of the Group's business model for managing the financial assets and the contractual cash flow characteristics of the financial assets.

Specifically:

— debt investments that are held within a business model whose objective is to collect the contractual cash flows, and that have contractual cash flows that are solely payments of principal and interest on the principal amount outstanding, are subsequently measured at amortised cost;

— debt investments that are held within a business model whose objective is both to collect the contractual cash flows and to sell the debt instruments, and that have contractual cash flows that are solely payments of principal and interest on the principal amount outstanding, are subsequently measured at fair value through other comprehensive income ("FVTOCI");

— all other debt investments and equity investments are subsequently measured at fair value through profit or loss ("FVTPL").

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

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

(a) IFRS 9 — Financial Instruments (Continued)

(i) Classification and measurement (Continued)

Despite the aforegoing, the Group may make the following irrevocable election/designation at initial recognition of a financial asset:

— the Group may irrevocably elect to present subsequent changes in fair value of an equity investment that is not held for trading in other comprehensive income; and

— the Group may irrevocably designate a debt investment that meets the amortised cost or FVTOCI criteria as measured at FVTPL if doing so eliminates or significantly reduces an accounting mismatch.

When a debt investment measured at FVTOCI is derecognised, the cumulative gain or loss previously recognised in other comprehensive income is reclassified from equity to profit or loss as a reclassification adjustment. In contrast, for an equity investment designated as measured at FVTOCI, the cumulative gain or loss previously recognised in other comprehensive income is not subsequently reclassified to profit or loss.

Debt instruments that are subsequently measured at amortised cost or at FVTOCI are subject to impairment (see note (ii) below).

The adoption of IFRS 9 has not had a significant effect on the Group's accounting policies related to financial liabilities.

On 1 January 2018 (the date of initial application of IFRS 9), the Group has assessed which business models apply to the financial assets held by the Group and has classified its financial instruments into the appropriate IFRS 9 categories.

(Expressed in Renminbi unless otherwise indicated)

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

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

(a) IFRS 9 — Financial Instruments (Continued)

(i) Classification and measurement (Continued)

The following table shows the original measurement categories under IAS 39 and the new measurement categories under IFRS 9 for each class of the Group's financial assets and financial liabilities as at 1 January 2018.

	Original measurement category under IAS 39	New measurement category under IFRS 9	Original carrying amount under IAS 39 RMB'000	New carrying amount under IFRS 9 RMB'000
Financial assets				
Trade and other receivables	Amortised cost (Loans and receivables)	Amortised cost	270,190	263,440
Pledged bank deposits	Amortised cost (Loans and receivables)	Amortised cost	67,886	67,886
Fixed deposits held at bank with original maturity over three months	Amortised cost (Loans and receivables)	Amortised cost	7,755	7,755
Cash and cash equivalents	Amortised cost (Loans and receivables)	Amortised cost	502,107	502,107
			847,938	841,188
Financial liabilities				
Trade bills and other payables	Amortised cost	Amortised cost	253,367	253,367
Bank and other borrowings	Amortised cost	Amortised cost	482,992	482,992
			736,359	736,359

The following table reconciles the carrying amounts of financial assets at amortised cost under IAS 39 to the carrying amounts under IFRS 9 on transition to IFRS 9 on 1 January 2018.

	Original carrying amount under IAS 39 RMB'000	Remeasurement (note (ii)) RMB'000	New Carrying amount under IFRS 9 RMB'000
Trade and other receivables	270,190	(6,750)	263,440
Pledged bank deposits	67,886	–	67,886
Fixed deposits held at bank with original maturity over three months	7,755	–	7,755
Cash and cash equivalents	502,107	–	502,107
	847,938	(6,750)	841,188

(Expressed in Renminbi unless otherwise indicated)

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

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

(a) IFRS 9 — Financial Instruments (Continued)

(ii) Impairment

The impairment of financial assets has changed from the incurred loss model under IAS 39 to the expected credit loss model under IFRS 9. Under the new expected loss approach, it is no longer necessary for a loss event to occur before an impairment loss is recognised. Impairment is made on the expected credit losses, which are the present value of the cash shortfalls over the expected life of the financial assets. The Group assesses on a forward looking basis the expected credit losses associated with debt instruments carried at amortised cost or FVTOCI. The impairment methodology applied depends on whether there has been a significant increase in credit risk.

For trade and other receivables, the Group applies the simplified approach permitted by IFRS 9, which requires lifetime expected losses to be recognised from initial recognition of the receivables. The Group has established a provision matrix that is based on the Group's historical default experience, adjusted for factors that are specific to the debtors and an assessment of both the current as well as the forecast direction of conditions.

Applying the expected credit loss model resulted in the recognition of additional impairment for the Group's trade and other receivables on 1 January 2018 as follows:

	RMB'000
Loss allowance at 31 December 2017 under IAS 39	208,201
Additional impairment recognised at 1 January 2018	6,750
Loss allowance at 1 January 2018 under IFRS 9	214,951

The additional impairment is recognised in retained profits, resulting in a decrease in trade and other receivables of approximately RMB6,750,000 and decrease in retained profits of approximately RMB6,750,000 as at 1 January 2018.

(b) IFRS 15 Revenue from Contracts with Customers

IFRS 15 establishes a new five-step model to account for revenue arising from contracts with customers. Under IFRS 15, revenue is recognised at an amount that reflects the consideration to which an entity expects to be entitled in exchange for transferring goods or services to a customer. The principles in IFRS 15 provide a more structured approach for measuring and recognising revenue. The standard also introduces extensive qualitative and quantitative disclosure requirements, including disaggregation of total revenue, information about performance obligations, changes in contract asset and liability account balances between periods and key judgements and estimates. Considering the nature of the Group's principal activities, the adoption of IFRS 15 does not have material impact on the Group's revenue recognition and IFRS 15 had no material impact on amounts and/or disclosures reported in these consolidated financial statements.

(Expressed in Renminbi unless otherwise indicated)

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

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

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

IFRS 16	Leases[1]
IFRS 17	Insurance Contracts[2]
IFRIC-Int 23	Uncertainty over Income Tax Treatments[1]
Amendments to IFRS 10 and IAS 28	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture[3]
Amendments to IAS 1 and IAS 8	Definition of Materials[2]
Amendments to IAS 19	Plan Amendment, Curtailment or Settlement[1]
Amendments to IAS 28	Long-term Interests in Associates and Joint Ventures[1]
Amendments to IFRSs	Annual Improvements to IFRSs 2015–2017 Cycle[1]

1 Effective for annual periods beginning on or after 1 January 2019.
2 Effective for annual periods beginning on or after 1 January 2021.
3 Effective for annual periods beginning on or after a date to be determined.

Except for the new and amendments to IFRSs mentioned below, the directors of the Company anticipate that the application of all other new and amendments to IFRSs will have no material impact on the consolidated financial statements in the foreseeable future.

IFRS 16 *Leases*

IFRS 16 introduces a comprehensive model for the identification of lease arrangements and accounting treatments for both lessors and lessees. IFRS 16 will supersede IAS 17 Leases and the related interpretations when it becomes effective.

IFRS 16 distinguishes lease and service contracts on the basis of whether an identified asset is controlled by a customer. In addition, IFRS 16 requires sales and leaseback transactions to be determined based on the requirements of IFRS 15 as to whether the transfer of the relevant asset should be accounted as a sale.

IFRS 16 also includes requirements relating to subleases and lease modifications.

Distinctions of operating leases and finance leases are removed for lessee accounting, and is replaced by a model where a right-of-use asset and a corresponding liability have to be recognised for all leases by lessees, except for short-term leases and leases of low value assets.

(Expressed in Renminbi unless otherwise indicated)

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

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

IFRS 16 *Leases* (Continued)

The right-of-use asset is initially measured at cost and subsequently measured at cost (subject to certain exceptions) less accumulated depreciation and impairment losses, adjusted for any remeasurement of the lease liability. The lease liability is initially measured at the present value of the lease payments that are not paid at that date. Subsequently, the lease liability is adjusted for interest and lease payments, as well as the impact of lease modifications, amongst others. For the classification of cash flows, the Group currently presents upfront prepaid lease payments as investing cash flows in relation to leasehold lands for owned use and those classified as investment properties while other operating lease payments are presented as operating cash flows. Upon application of IFRS 16, lease payments in relation to lease liability will be allocated into a principal and an interest portion which will be presented as financing cash flows by the Group.

Under IAS 17, the Group has already recognised an asset and a related finance lease liability for finance lease arrangement and prepaid lease payments for leasehold lands where the Group is a lessee. The application of IFRS 16 may result in potential changes in classification of these assets depending on whether the Group presents right-of-use assets separately or within the same line item at which the corresponding underlying assets would be presented if they were owned.

Other than certain requirements which are also applicable to lessor, IFRS 16 substantially carries forward the lessor accounting requirements in IAS 17, and continues to require a lessor to classify a lease either as an operating lease or a finance lease. Furthermore, extensive disclosures are required by IFRS 16.

The application of new requirements may result in changes in measurement, presentation and disclosure as indicated above. The Group intends to elect the practical expedient to apply IFRS 16 to contracts that were previously identified as leases applying IAS 17 and IFRIC-Int 4 Determining whether an Arrangement contains a Lease and not apply this standard to contracts that were not previously identified as containing a lease applying IAS 17 and IFRIC-Int 4. Therefore, the Group will not reassess whether the contracts are, or contain a lease which already existed prior to the date of initial application. Furthermore, the Group intends to elect the modified retrospective approach for the application of IFRS 16 as lessee and will recognise the cumulative effect of initial application to opening retained profits without restating comparative information.

(Expressed in Renminbi unless otherwise indicated)

3 SIGNIFICANT ACCOUNTING POLICIES

(a) Statement of compliance

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

(b) Basis of preparation of the financial statements

The consolidated financial statements for the year ended 31 December 2018 comprise the Company and its subsidiaries.

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

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

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

Judgements made by management in the application of IFRSs that have significant effect on the consolidated financial statements and major sources of estimation uncertainty are discussed in note 38.

(c) Subsidiaries

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

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

In the Company's statement of financial position (see note 36), an investment in a subsidiary is stated at cost less impairment losses.

3 SIGNIFICANT ACCOUNTING POLICIES (Continued)

(d) Business combinations and goodwill

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

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

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

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

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

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

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

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

(Expressed in Renminbi unless otherwise indicated)

3 SIGNIFICANT ACCOUNTING POLICIES (Continued)

(e) Property, plant and equipment

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

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

No depreciation is provided in respect of construction in progress.

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

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

- Plant and machinery 10 years

- Motor vehicles 5 years

- Furniture and fixtures 5 years

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

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

(f) Constructions in progress

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

(g) Investment properties

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

(h) Lease prepayments

Lease prepayments represent cost of acquiring land use rights paid to the mainland China's government authorities. Land use rights are stated at cost less accumulated amortisation and impairment losses. Amortisation is charged to profit or loss on a straight-line basis over the respective periods of the rights which are 34–37 years.

3 SIGNIFICANT ACCOUNTING POLICIES (Continued)

(i) Intangible assets

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

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

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

(j) Impairment of assets

(i) Impairment of trade and other receivables (prior to 1 January 2018)

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

— significant financial difficulty of the debtor;

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

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

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

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

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

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

3 SIGNIFICANT ACCOUNTING POLICIES (Continued)

(j) Impairment of assets (Continued)

(ii) Impairment of trade and other receivables (upon application of IFRS 9 in accordance with transitions in note 2)

The Group uses provision matrix to calculate ECL for the trade receivables. The provision rates are based on past experience as groupings of various debtors that have similar loss patterns. The provision matrix is based on the Group's historical default rates taking into consideration forward-looking information that is reasonable and supportable available without undue costs or effort. At every reporting date, the historical observed default rates are reassessed and changes in the forward-looking information are considered. In addition, trade receivables with significant balances and credit impaired are assessed for ECL individually.

The provision of ECL is sensitive to changes in estimates. The information about the ECL and the Group's trade receivables are disclosed in note 22.

(iii) Impairment of other assets

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

- property, plant and equipment;
- construction in progress;
- investment properties;
- lease prepayments; and
- intangible assets.

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

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

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

3 SIGNIFICANT ACCOUNTING POLICIES (Continued)

(j) Impairment of assets (Continued)

(iii) Impairment of other assets (Continued)

- *Reversals of impairment losses*

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

(k) Inventories

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

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

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

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

(l) Trade and other receivables

A receivable is recognised when the Group has an unconditional right to receive consideration. A right to receive consideration is unconditional if only the passage of time is required before payment of that consideration is due. If revenue has been recognised before the Group has an unconditional right to receive consideration, the amount is presented as a contract asset.

Receivables are stated at amortised cost using the effective interest method less allowance for credit losses.

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

(m) Interest-bearing borrowings

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

(n) Trade and other payables

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

(Expressed in Renminbi unless otherwise indicated)

3 SIGNIFICANT ACCOUNTING POLICIES (Continued)

(o) Cash and cash equivalents

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

(p) Employee benefits

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

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

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

(ii) Share-based payments for employees

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

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

(q) Income tax

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

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

3 SIGNIFICANT ACCOUNTING POLICIES (Continued)

(q) Income tax (Continued)

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

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

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

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

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

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

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

  — the same taxable entity; or

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

3 SIGNIFICANT ACCOUNTING POLICIES (Continued)

(r) Provisions and contingent liabilities

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

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

(s) Revenue recognition

Revenue recognition (prior to 1 January 2018)

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

(i) Sale of goods

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

(ii) Interest income

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

(iii) Government grants

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

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

(iv) Rental income from operating leases

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

(Expressed in Renminbi unless otherwise indicated)

3 SIGNIFICANT ACCOUNTING POLICIES (Continued)

(s) Revenue recognition (Continued)

Revenue from contracts with customers (upon application of IFRS 15)

Under IFRS 15, the Group recognises revenue when (or as) a performance obligation is satisfied, i.e. when "control" of the goods or services underlying the particular performance obligation is transferred to the customer.

A performance obligation represents a good or service (or a bundle of goods or services) that is distinct or a series of distinct goods or services that are substantially the same.

Control is transferred over time and revenue is recognised over time by reference to the progress towards complete satisfaction of the relevant performance obligation if one of the following criteria is met:

- the customer simultaneously receives and consumes the benefits provided by the Group's performance as the Group performs;

- the Group's performance creates and enhances an asset that the customer controls as the Group performs; or

- the Group's performance does not create an asset with an alternative use to the Group and the Group has an enforceable right to payment for performance completed to date.

Otherwise, revenue is recognised at a point in time when the customer obtains control of the distinct good or service.

A contract liability represents the Group's obligation to transfer goods or services to a customer for which the Group has received consideration (or an amount of consideration is due) from the customer.

3 SIGNIFICANT ACCOUNTING POLICIES (Continued)

(t) Translation of foreign currencies

Items included in the financial statements of each entity in the Group are measured using the currency that best reflects the economic substance of the underlying events and circumstances relevant to that entity ("functional currency"). The functional currency of the Company and its subsidiaries outside the PRC is Hong Kong Dollars ("HKD") and the functional currency of the subsidiaries in the PRC 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 the PRC are translated into RMB at the average exchange rates for the year which approximating the foreign exchange rates ruling at the dates of the transactions. Statement of financial position items are translated into RMB at the closing foreign exchange rates ruling at the end of the reporting period. The resulting exchange differences are recognised in other comprehensive income and accumulated separately in equity in the exchange reserve.

(u) Borrowing costs

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

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

(v) Research and development expenditure

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

(w) Dividends

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

3 SIGNIFICANT ACCOUNTING POLICIES (Continued)

(x) Related parties

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

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

(ii) has significant influence over the Group; or

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

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

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

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

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

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

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

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

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

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

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

3 SIGNIFICANT ACCOUNTING POLICIES (Continued)

(y) Financial instruments

Financial assets and financial liabilities are recognised in the consolidated statement of financial position when a group entity becomes a party to the contractual provisions of the instrument.

Financial assets and financial liabilities are initially measured at fair value excepts for trade receivables arising from contracts with customers which are initially measured in accordance with IFRS 15 since 1 January 2018. Transaction costs that are directly attributable to the acquisition or issue of financial assets and financial liabilities are added to or deducted from the fair value of the financial assets or financial liabilities, as appropriate, on initial recognition.

Financial assets

Classification and subsequent measurement of financial assets (upon application of IFRS 9 in accordance with transitions in note 2)

Financial assets that meet the following conditions are subsequently measured at amortised cost:

- the financial asset is held within a business model whose objective is to collect contractual cash flows; and
- the contractual terms give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

Financial assets that meet the following conditions are subsequently measured at FVTOCI:

- the financial asset is held within a business model whose objective is achieved by both collecting contractual cash flows and selling; and
- the contractual terms give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

All other financial assets are subsequently measured at FVTPL, except that at the date of initial application/initial recognition of a financial asset the Group may irrevocably elect to present subsequent changes in fair value of an equity investment in OCI if that equity investment is neither held for trading nor contingent consideration recognised by an acquirer in a business combination to which IFRS 3 Business Combinations applies.

A financial asset is classified as held for trading if:

- it has been acquired principally for the purpose of selling in the near term; or
- on initial recognition it is a part of a portfolio of identified financial instruments that the Group manages together and has a recent actual pattern of short-term profit-taking; or
- it is a derivative that is not designated and effective as a hedging instrument.

In addition, the Group may irrevocably designate a financial asset that are required to be measured at the amortised cost or FVTOCI as measured at FVTPL if doing so eliminates or significantly reduces an accounting mismatch.

3 SIGNIFICANT ACCOUNTING POLICIES (Continued)

(y) Financial instruments (Continued)

Financial assets (Continued)

Classification and subsequent measurement of financial assets (upon application of IFRS 9 in accordance with transitions in note 2) (Continued)

(i) Amortised cost and interest income

Interest income is recognised using the effective interest method for financial assets measured subsequently at amortised cost and debt instruments/receivables subsequently measured at FVTOCI. Interest income is calculated by applying the effective interest rate to the gross carrying amount of a financial asset, except for financial assets that have subsequently become credit-impaired (see below). For financial assets that have subsequently become credit-impaired, interest income is recognised by applying the effective interest rate to the amortised cost of the financial asset from the next reporting period. If the credit risk on the credit-impaired financial instrument improves so that the financial asset is no longer credit-impaired, interest income is recognised by applying the effective interest rate to the gross carrying amount of the financial asset from the beginning of the reporting period following the determination that the asset is no longer credit impaired.

Impairment of financial assets (upon application IFRS 9 with transitions in accordance with note 2)

The Group recognises a loss allowance for ECL on financial assets which are subject to impairment under IFRS 9 (including trade and other receivables, and financial guarantee contracts. The amount of ECL is updated at each reporting date to reflect changes in credit risk since initial recognition.

Lifetime ECL represents the ECL that will result from all possible default events over the expected life of the relevant instrument. In contrast, 12 months ECL represents the portion of lifetime ECL that is expected to result from default events that are possible within 12 months after the reporting date.

Assessment are done based on the Group's historical credit loss experience, adjusted for factors that are specific to the debtors, general economic conditions and an assessment of both the current conditions at the reporting date as well as the forecast of future conditions.

The Group always recognises lifetime ECL for trade receivables. The ECL on these assets are assessed individually for debtors with significant balances and/or collectively using a provision matrix with appropriate groupings.

For all other instruments, the Group measures the loss allowance equal to 12 months ECL, unless when there has been a significant increase in credit risk since initial recognition, the Group recognises lifetime ECL. The assessment of whether lifetime ECL should be recognised is based on significant increases in the likelihood or risk of a default occurring since initial recognition.

(Expressed in Renminbi unless otherwise indicated)

3 SIGNIFICANT ACCOUNTING POLICIES (Continued)

(y) Financial instruments (Continued)

Financial assets (Continued)

Impairment of financial assets (upon application IFRS 9 with transitions in accordance with note 2) (Continued)

(i) Significant increase in credit risk

In assessing whether the credit risk has increased significantly since initial recognition, the Group compares the risk of a default occurring on the financial instrument as at the reporting date with the risk of a default occurring on the financial instrument as at the date of initial recognition. In making this assessment, the Group considers both quantitative and qualitative information that is reasonable and supportable, including historical experience and forward-looking information that is available without undue cost or effort.

In particular, the following information is taken into account when assessing whether credit risk has increased significantly:

- an actual or expected significant deterioration in the financial instrument's external (if available) or internal credit rating;

- significant deterioration in external market indicators of credit risk, e.g. a significant increase in the credit spread, the credit default swap prices for the debtor;

- existing or forecast adverse changes in business, financial or economic conditions that are expected to cause a significant decrease in the debtor's ability to meet its debt obligations;

- an actual or expected significant deterioration in the operating results of the debtor;

- an actual or expected significant adverse change in the regulatory, economic, or technological environment of the debtor that results in a significant decrease in the debtor's ability to meet its debt obligations.

Irrespective of the outcome of the above assessment, the Group presumes that the credit risk has increased significantly since initial recognition when contractual payments are more than 30 days past due, unless the Group has reasonable and supportable information that demonstrates otherwise.

The Group regularly monitors the effectiveness of the criteria used to identify whether there has been a significant increase in credit risk and revises them as appropriate to ensure that the criteria are capable of identifying significant increase in credit risk before the amount becomes past due.

(ii) Definition of default

For internal credit risk management, the Group considers an event of default occurs when information developed internally or obtained from external sources indicates that the debtor is unlikely to pay its creditors, including the Group, in full (without taking into account any collaterals held by the Group). Irrespective of the above, the Group considers that default has occurred when a financial asset is more than 90 days past due unless the Group has reasonable and supportable information to demonstrate that a more lagging default criterion is more appropriate.

3 SIGNIFICANT ACCOUNTING POLICIES (Continued)

(y) Financial instruments (Continued)

Financial assets (Continued)

Impairment of financial assets (upon application IFRS 9 with transitions in accordance with note 2) (Continued)

(iii) Credit-impaired financial assets

A financial asset is credit-impaired when one or more events of default that have a detrimental impact on the estimated future cash flows of that financial asset have occurred. Evidence that a financial asset is credit-impaired includes observable data about the following events:

(a) significant financial difficulty of the issuer or the borrower;

(b) a breach of contract, such as a default or past due event;

(c) the lender(s) of the borrower, for economic or contractual reasons relating to the borrower's financial difficulty, having granted to the borrower a concession(s) that the lender(s) would not otherwise consider;

(d) it is becoming probable that the borrower will enter bankruptcy or other financial reorganisation; or

(e) the disappearance of an active market for that financial asset because of financial difficulties.

(iv) Write-off policy

The Group writes off a financial asset when there is information indicating that the counterparty is in severe financial difficulty and there is no realistic prospect of recovery, for example, when the counterparty has been placed under liquidation or has entered into bankruptcy proceedings, or in the case of trade receivables, when the amounts are over two years past due, whichever occurs sooner. Financial assets written off may still be subject to enforcement activities under the Group's recovery procedures, taking into account legal advice where appropriate. A write-off constitutes a derecognition event. Any subsequent recoveries are recognised in profit or loss.

(v) Measurement and recognition of ECL

The measurement of ECL is a function of the probability of default, loss given default (i.e. the magnitude of the loss if there is a default) and the exposure at default. The assessment of the probability of default and loss given default is based on historical data adjusted by forward-looking information. Estimation of ECL reflects an unbiased and probability-weighted amount that is determined with the respective risks of default occurring as the weights.

Generally, the ECL is the difference between all contractual cash flows that are due to the Group in accordance with the contract and the cash flows that the Group expects to receive, discounted at the effective interest rate determined at initial recognition.

For a financial guarantee contract, the Group is required to make payments only in the event of a default by the debtor in accordance with the terms of the instrument that is guaranteed. Accordingly, the expected losses is the present value of the expected payments to reimburse the holder for a credit loss that it incurs less any amounts that the Group expects to receive from the holder, the debtor or any other party.

(Expressed in Renminbi unless otherwise indicated)

3 SIGNIFICANT ACCOUNTING POLICIES (Continued)

(y) Financial instruments (Continued)

Financial assets (Continued)

Impairment of financial assets (upon application IFRS 9 with transitions in accordance with note 2) (Continued)

(v) Measurement and recognition of ECL (Continued)

For ECL on financial guarantee contracts or on loan commitments for which the effective interest rate cannot be determined, the Group will apply a discount rate that reflects the current market assessment of the time value of money and the risks that are specific to the cash flows but only if, and to the extent that, the risks are taken into account by adjusting the discount rate instead of adjusting the cash shortfalls being discounted.

Where ECL is measured on a collective basis or cater for cases where evidence at the individual instrument level may not yet be available, the financial instruments are grouped on past due analysis:

- Nature of financial instruments (i.e. the Group's trade and other receivables are each assessed as a separate group;
- Past-due status;
- Nature, size and industry of debtors; and
- External credit ratings where available.

The grouping is regularly reviewed by management to ensure the constituents of each group continue to share similar credit risk characteristics.

Interest income is calculated based on the gross carrying amount of the financial asset unless the financial asset is credit impaired, in which case interest income is calculated based on amortised cost of the financial asset.

For financial guarantee contracts, the loss allowances are recognised at the higher of the amount of the loss allowance determined in accordance with IFRS 9; and the amount initially recognised less, where appropriate, cumulative amount of income recognised over the guarantee period.

Except for investments in debt instruments/receivables that are measured at FVTOCI, the Group recognises an impairment gain or loss in profit or loss for all financial instruments by adjusting their carrying amount, with the exception of trade receivables where the corresponding adjustment is recognised through a loss allowance account. For investments in debt instruments that are measured at FVTOCI, the loss allowance is recognised in OCI and accumulated in the FVTOCI reserve without reducing the carrying amount of these debt instruments/ receivables.

3 SIGNIFICANT ACCOUNTING POLICIES (Continued)

(y) Financial instruments (Continued)

Financial assets (Continued)

Classification and subsequent measurement of financial assets (before application of IFRS 9 on 1 January 2018)

The Group's financial assets are classified into loans and receivables. The classification depends on the nature and purpose of the financial assets and is determined at the time of initial recognition. All regular way purchases or sales of financial assets are recognised and derecognised on a trade date basis. Regular way purchases or sales are purchases or sales of financial assets that require delivery of assets within the time frame established by regulation or convention in the marketplace.

Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. Subsequent to initial recognition, loans and receivables (including trade, bills and other receivables, restricted bank balances, pledged bank deposit, and bank balances and cash) are carried at amortised cost using the effective interest method, less any identified impairment losses (see accounting policy on impairment of financial assets below).

Impairment of financial assets (before application of IFRS 9 on 1 January 2018)

Financial assets are assessed for indicators of impairment at the end of each reporting period. Financial assets are considered to be impaired where there is objective evidence that, as a result of one or more events that occurred after the initial recognition of the financial asset, the estimated future cash flows of the financial assets have been affected.

For all financial assets, objective evidence of impairment could include:

- significant financial difficulty of the issuer or counterparty; or
- breach of contract, such as default or delinquency in interest and principal payments; or
- it becoming probable that the borrower will enter bankruptcy or financial re-organisation; or
- disappearance of an active market for that financial asset because of financial difficulties.

For certain categories of financial assets, such as trade and other receivables, assets that are assessed not to be impaired individually are, in addition, assessed for impairment on a collective basis. Objective evidence of impairment for a portfolio of receivables could include the Group's past experience of collecting payments, an increase in the number of delayed payments in the portfolio past the respective credit periods granted to individual customers, observable changes in national or local economic conditions that correlate with default on receivables.

For financial assets carried at amortised cost, the amount of the impairment loss recognised is the difference between the asset's carrying amount and the present value of the estimated future cash flows discounted at the financial asset's original effective interest rate.

(Expressed in Renminbi unless otherwise indicated)

3 SIGNIFICANT ACCOUNTING POLICIES (Continued)

(y) Financial instruments (Continued)

Financial assets (Continued)

Impairment of financial assets (before application of IFRS 9 on 1 January 2018) (Continued)

The carrying amount of the financial asset is reduced by the impairment loss directly for all financial assets with the exception of trade and other receivables where the carrying amount is reduced through the use of an allowance account. Changes in the carrying amount of the allowance account are recognised in profit or loss. When a trade or other receivable is considered uncollectible, it is written off against the allowance account. Subsequent recoveries of amounts previously written off are credited to profit or loss.

For financial assets measured at amortised cost, if, in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment losses was recognised, the previously recognised impairment loss is reversed through profit or loss to the extent that the carrying amount of the asset at the date the impairment is reversed does not exceed what the amortised cost would have been had the impairment not been recognised.

Derecognition of financial assets

The Group derecognises a financial asset only when the contractual rights to the cash flows from the asset expire, or when it transfers the financial asset and substantially all the risks and rewards of ownership of the asset to another entity. If the Group neither transfers nor retains substantially all the risks and rewards of ownership and continues to control the transferred asset, the Group recognises its retained interest in the asset and an associated liability for amounts it may have to pay. If the Group retains substantially all the risks and rewards of ownership of a transferred financial asset, the Group continues to recognise the financial asset and also recognises a collateralised borrowing for the proceeds received.

On derecognition of a financial asset measured at amortised cost, the difference between the asset's carrying amount and the sum of the consideration received and receivable is recognised in profit or loss.

Financial liabilities and equity

Classification as debt or equity

Debt and equity instruments are classified as either financial liabilities or as equity in accordance with the substance of the contractual arrangements and the definitions of a financial liability and an equity instrument.

3 SIGNIFICANT ACCOUNTING POLICIES (Continued)

(y) Financial instruments (Continued)

Financial liabilities and equity (Continued)

Equity instruments

An equity instrument is any contract that evidences a residual interest in the assets of an entity after deducting all of its liabilities. Equity instruments issued by the Company are recognised at the proceeds received, net of direct issue costs.

Repurchase of the Company's own equity instruments is recognised and deducted directly in equity. No gain or loss is recognised in profit or loss on the purchase, sale, issue or cancellation of the Company's own equity instruments.

Financial liabilities

All financial liabilities are subsequently measured at amortised cost using the effective interest method or at FVTPL.

Financial liabilities at amortised cost

Financial liabilities including trade and other payable are subsequently measured at amortised cost, using the effective interest method.

Financial guarantee contracts

A financial guarantee contract is a contract that requires the issuer to make specified payments to reimburse the holder for a loss it incurs because a specified debtor fails to make payments when due in accordance with the terms of a debt instrument. Financial guarantee contract liabilities are measured initially at their fair values.

It is subsequently measured at the higher of:

- the amount of the loss allowance determined in accordance with IFRS 9 (since 1 January 2018)/IAS 37 Provisions, Contingent Liabilities and Contingent Assets (before application of IFRS 9 on 1 January 2018); and

- the amount initially recognised less, where appropriate, cumulative amortisation recognised over the guarantee period.

(z) Biological assets

Biological assets are living animals managed by the Group which is involved in the agricultural activities of the transformation of biological assets for sale, into additional biological assets. Biological assets are measured at fair value less costs to sell at initial recognition and at the end of each reporting period. The fair value of biological assets is determined based on either the present value of expected net cash flows from the biological assets discounted at a current market-determined pre-tax rate.

The gain or loss arising on initial recognition of biological asset at fair value less costs to sell and from a change in fair value less costs to sell is recognised in profit or loss for the financial year in which it arises.

(Expressed in Renminbi unless otherwise indicated)

4 SEGMENT INFORMATION

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

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

The main operation of the Group is manufacturing and wholesaling of menswear in the PRC.

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

Segment revenue and results

	Menswear		Other		Unallocated		Consolidated	
	2018 RMB'000	2017 RMB'000	**2018 RMB'000**	2017 RMB'000	**2018 RMB'000**	2017 RMB'000	**2018 RMB'000**	2017 RMB'000
Revenue	**580,560**	1,129,418	**30,489**	–	**–**	–	**611,049**	1,129,418
Segment result before the following item	**20,435**	467,494	**2,505**	–	**–**	–	**22,940**	467,494
Impairment of inventory	**(3,954)**	–	**–**	–	**–**	–	**(3,954)**	–
Impairment of goodwill	**(25,480)**	–	**–**	–	**–**	–	**(25,480)**	–
Allowance for doubtful debts, net	**(19,280)**	(88,922)	**–**	–	**–**	–	**(19,280)**	(88,922)
Segment result	**(28,279)**	378,572	**2,505**	–	**–**	–	**(25,774)**	378,572
Other revenue and unallocated gains					**1,416**	(4,609)	**1,416**	(4,609)
Corporate and other unallocated expenses					**(26,777)**	(331,426)	**(26,777)**	(331,426)
(Loss)/profit before taxation							**(51,135)**	42,537
Share loss of an associate	**–**	–	**–**	–	**–**	(2,000)	**–**	(2,000)
Tax expense	**7,319**	(18,411)	**(420)**	–	**97**	–	**6,996**	(18,411)
(Loss)/profit for the year							**(44,139)**	22,126

(Expressed in Renminbi unless otherwise indicated)

4 SEGMENT INFORMATION (Continued)

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

Segment assets and liabilities

	Menswear		Other		Unallocated		Consolidated	
	2018 RMB'000	2017 RMB'000	**2018 RMB'000**	2017 RMB'000	**2018 RMB'000**	2017 RMB'000	**2018 RMB'000**	2017 RMB'000
Segment assets	**1,398,714**	1,564,511	**63,127**	–	**800,527**	715,134	**2,262,368**	2,279,645
Segment liabilities	**669,112**	695,865	**42,769**	–	**140,761**	131,511	**852,642**	827,376

(a) Geographical information

The following table present the Group's geographical information in terms of revenue for the years ended 31 December 2018 and 2017.

	2018 RMB'000	2017 RMB'000
China	**430,952**	910,210
US	**678**	3,267
Hong Kong	**179,419**	215,941
	611,049	1,129,418

(b) Non-current assets

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

Information about major customers

Revenue from one of the Group's customers, amounting to RMB88,366,000 (2017: nil) accounted for over 10% of the Group's total revenue.

5 REVENUE

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

Revenue by product type is as follows:

	2018 RMB'000	2017 RMB'000
Men's trousers	**321,860**	603,237
Men's tops	**257,747**	495,544
Accessories	**953**	4,697
Fabrics	**–**	25,940
Online platform and retail stores	**28,130**	–
Foie gras and by products	**2,359**	–
	611,049	1,129,418

One customer with whom transaction has exceeded 10% of the Group's revenue for the year ended 31 December 2018 with approximately RMB88,366,000 from menswear segment (2017: nil).

6 OTHER INCOME AND OTHER GAINS OR LOSSES

	2018 RMB'000	2017 RMB'000
Interest income	**2,336**	4,025
Rental income from investment properties less direct outgoings	**1,472**	1,475
Government grants	**474**	295
Net foreign exchange gain/(loss)	**6,603**	(4,116)
Net loss on disposal of property, plant and equipment	**(278)**	(6,502)
Others	**221**	214
	10,828	(4,609)

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

(Expressed in Renminbi unless otherwise indicated)

7 (LOSS)/PROFIT BEFORE TAXATION

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

		2018 RMB'000	2017 RMB'000
(a)	Finance costs:		
	Interest on corporate bonds	**4,895**	–
	Interest on bank and other borrowings	**21,519**	21,400
		26,414	21,400
(b)	Staff costs (including directors' remuneration):		
	Contributions to defined contribution retirement plans	**3,320**	2,026
	Salaries, wages and other benefits	**72,097**	136,737
	Equity-settled share-based payment expenses for employees	**264**	331
		75,681	139,094
(c)	Other items:		
	Amortisation of lease prepayments	**7,086**	7,109
	Amortisation of intangible assets	**43,650**	18,417
	Depreciation of property, plant and equipment	**17,807**	19,760
	Depreciation of investment properties	**1,187**	1,187
	Auditors' remuneration	**1,928**	1,730
	Research and developments expenses *(note (i))*	**16,129**	19,189
	Cost of inventories *(note (ii))*	**402,633**	750,846
	Allowance for doubtful debts	**20,306**	167,881
	Impairment of inventory	**3,954**	–
	Impairment of goodwill	**25,576**	–
	Operating lease payment	**1,842**	726
	Reversal of allowance for doubtful debts	**(1,026)**	(78,959)

Notes:

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

(ii) Included in cost of sales are RMB47,683,000 of staff costs, depreciation and amortisation charges for the year ended 31 December 2018 (2017: RMB102,515,000), which are also included in the respective amounts disclosed in note 7(b).

(Expressed in Renminbi unless otherwise indicated)

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

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

	2018 RMB'000	2017 RMB'000
Current tax		
Provision for PRC enterprises income tax for the year	**16,125**	43,862
Deferred tax credit	**(23,121)**	(25,451)
	(6,996)	18,411

Notes:

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

(ii) No provision has been made for Hong Kong Profits Tax as none of the members of the Group earned any income that was subject to Hong Kong Profits Tax for the years ended 31 December 2018 and 31 December 2017.

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

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

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

	2018 RMB'000	2017 RMB'000
(Loss)/Profit before taxation	**(51,135)**	42,537
Notional tax on profit before taxation, calculated at the rates applicable to profit in the tax jurisdictions concerned	**(9,405)**	13,002
PRC dividend withholding tax *(note 27(a))*	**–**	1,300
Effect of non-deductible expenses	**213**	1,841
Effect of income not taxable for tax purposes	**(1,032)**	–
Effect of tax losses not recognised	**3,228**	2,268
Actual tax (credit)/expense	**(6,996)**	18,411

(Expressed in Renminbi unless otherwise indicated)

9 DIRECTORS' REMUNERATION

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

Year ended 31 December 2018

	Directors' fees RMB'000	Salaries, allowances and benefit in kind *(note i)* RMB'000	Retirement scheme contributions RMB'000	Sub-Total RMB'000	Share-based payments for employees *(note ii)* RMB'000	.2018 Total RMB'000
Executive Directors						
Mr. Kwok Kin Sun	–	508	12	520	–	520
Mr. Kwok Hon Fung	–	508	15	523	–	523
Ms. Yuan Mei Rong *(note (v))*	–	486	–	486	28	514
Ms. Mo Wei *(note (vii))*	–	423	13	436	–	436
Sub-total	–	1,925	40	1,965	28	1,993
Independent Non-executive Directors						
Mr. Cheung Chiu Tung	110	–	–	110	14	124
Mr. Poon Yick Pang Philip	187	–	–	187	–	187
Mr. Shen Li *(note (iv))*	7	–	–	7	–	7
Ms. Huang Yumin *(note (vi))*	102	–	–	102	–	102
Sub-total	406	–	–	406	14	420
Total	406	1,925	40	2,371	42	2,413

(Expressed in Renminbi unless otherwise indicated)

9 DIRECTORS' REMUNERATION (Continued)

Year ended 31 December 2017

	Directors' fees RMB'000	Salaries, allowances and benefit in kind *(note i)* RMB'000	Retirement scheme contributions RMB'000	Discretionary bonuses RMB'000	Sub-Total RMB'000	Share-based payments for employees *(note ii)* RMB'000	2017 Total RMB'000
Executive Directors							
Mr. Kwok Kin Sun	–	1,800	15	–	1,815	–	1,815
Mr. Kwok Hon Fung	–	800	15	–	815	–	815
Ms. Yuan Mei Rong *(note (v))*	–	500	–	–	500	81	581
Sub-total	–	3,100	30	–	3,130	81	3,211
Independent Non-executive Directors							
Mr. Cheung Chiu Tung	110	–	–	–	110	40	150
Mr. Poon Yick Pang Philip	190	–	10	–	200	–	200
Mr. Zhang Longgen *(note (iii))*	142	–	–	–	142	32	174
Mr. Shen Li *(note (iv))*	22	–	–	–	22	–	22
Sub-total	464	–	10	–	474	72	546
Total	464	3,100	40	–	3,604	153	3,757

Notes:

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

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

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

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

(v) Ms. Yuan Mei Rong resigned as the executive director of the Company on 21 December 2018 and will remain as vice general manager of the Group.

(vi) Ms. Huang Yumin was appointed as the independent non-executive director of the Company on 1 February 2018.

(vii) Ms. Mo Wei was appointed as the executive director of the Company on 1 March 2018.

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

(Expressed in Renminbi unless otherwise indicated)

10 INDIVIDUAL WITH HIGHEST EMOLUMENTS

Of the five individuals with the highest emoluments, three (2017: three) are directors whose remuneration is disclosed in note 9 above. The aggregate of the emoluments in respect of the remaining two individuals for 2018 (2017: two) are as follows:

	2018 RMB'000	2017 RMB'000
Salaries and other emoluments	**877**	1,329
Discretionary bonuses	**4**	22
Retirement scheme contributions	**–**	13
	881	1,364

The emoluments of the two individuals (2017: two) with the highest emoluments fall within the following bands:

	2018 Number of individuals	2017 Number of individuals
Nil to HK$1,000,000	**2**	2

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

11 EARNINGS PER SHARE

(a) Basic (loss)/earnings per share

The calculation of the basic (loss)/earnings per share are based on the loss attributable to equity owners for the year ended 31 December 2018 of RMB44,437,000 (2017: profit attributable to equity owners RMB22,126,000) and the weighted average number of issued ordinary shares of 480,900,000 (2017: 480,900,000 ordinary shares) during the year ended 31 December 2018, calculated as follows:

(b) Diluted (loss)/earnings per share

The computation of diluted (loss)/earnings per share for the year ended 31 December 2018 does not assumed the exercise of outstanding share options of the Company since the assumed exercise of the share options would result in the decrease in loss per share, calculated as follows:

	Weighted average number of ordinary shares	
	2018	2017
Weighted average number of ordinary shares at 1 January	**480,900,000**	480,900,000
Effect of share options	**–**	170,685
Weighted average number of ordinary shares at 31 December	**480,900,000**	481,070,685

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12 PROPERTY, PLANT AND EQUIPMENT

	Buildings RMB'000	Plant and machinery RMB'000	Motor vehicles RMB'000	Furniture, fixtures and equipment RMB'000	Total RMB'000
Cost:					
At 1 January 2017	338,369	110,648	5,793	31,464	486,274
Additions	8,738	768	–	131	9,637
Acquisitions through business combination	–	–	–	326	326
Disposals	–	(10,911)	(2)	(530)	(11,443)
Exchange adjustment	(20)	–	–	(11)	(31)
At 31 December 2017 and 1 January 2018	347,087	100,505	5,791	31,380	484,763
Additions	5,026	2,388	–	531	7,945
Acquisition through business combinations	14,527	4,459	832	2,146	21,964
Disposals	(4,899)	(3,468)	–	(1,727)	(10,094)
Exchange adjustment	4	–	–	5	9
At 31 December 2018	361,745	103,884	6,623	32,335	504,587
Accumulated depreciation:					
At 1 January 2017	99,761	87,553	4,922	29,109	221,345
Acquisitions through business combination	–	–	–	287	287
Charge for the year	13,943	4,847	166	804	19,760
Written back on disposals	–	(3,418)	(2)	(505)	(3,925)
Exchange adjustment	(19)	–	–	(12)	(31)
At 31 December 2017 and 1 January 2018	113,685	88,982	5,086	29,683	237,436
Charge for the year	14,584	2,213	184	826	17,807
Written back on disposals	(299)	(3,152)	–	(1,692)	(5,143)
Exchange adjustment	4	–	–	7	11
At 31 December 2018	127,974	88,043	5,270	29,784	250,111
Net book value:					
At 31 December 2018	233,771	15,841	1,353	3,511	254,476
At 31 December 2017	233,402	11,523	705	1,697	247,327

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

(b) Certain buildings with carrying value of RMB233,771,000 (2017: RMB233,402,000) have been pledged to a bank as security for bank borrowings as at 31 December 2018 (see note 26).

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13 BIOLOGICAL ASSETS

	Gooses RMB'000
At 1 January 2018	–
Acquisitions through business combination	4,635
Fair value change of biological assets	10
At 31 December 2018	4,645

Biological assets as at 31 December 2018 were stated at fair value less costs to sell and were analysed as follows:

	Gooses RMB'000
Non-current portion	2,774
Current portion	1,871
	4,645

Notes:

Measurement of fair value

(i) Fair value hierarchy

The fair value less costs to sell of the Group's biological assets measured at the end of the reporting period on a recurring basis, categorised as level 3 fair value measurement based on the inputs to the valuation techniques used. The valuation of gooses would be performed annually.

During the year ended 31 December 2018, there were no transfers between levels in the hierarchy.

(ii) Level 3 fair value

The following table shows the valuation techniques used in measuring fair values less costs to sell, as well as the significant unobservable inputs used.

Type	Valuation technique	Significant unobservable inputs	Range 2018	Range 2017	Inter-relationship between key unobservable inputs and fair value measurement
Gooses	Market approach with reference to market-determined prices with similar size, species and age	Market-determined price	**Weighted average price of RMB352**	N/A	The higher of market-determined price, the higher of the fair value less costs to sell determined

The quantity of biological assets at the end of each reporting period was as follows:

	2018 Number ('000)	2017 Number ('000)
Gooses	**42**	N/A

(Expressed in Renminbi unless otherwise indicated)

14 CONSTRUCTION IN PROGRESS

	2018 RMB'000	2017 RMB'000
Cost:		
At 1 January	**343,314**	255,727
Additions	**16,592**	87,587
At 31 December	**359,906**	343,314
Net book value:		
At 31 December	**359,906**	343,314

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

(b) Construction in progress represents commercial center located in Hui'an, Fujian Province. The Group proposed to build three commercial buildings and underground car park which targeted to be completed by 2021. The directors of the Company have not finalised how the commercial center will be used.

15 GOODWILL

	2018 RMB'000	2017 RMB'000
At 1 January	**72,456**	–
Addition from business combination	**96**	72,456
Impairment	**(25,576)**	–
At 31 December	**46,976**	72,456

The Group performed its annual impairment test for goodwill allocated to the Chameleon Group by comparing its recoverable amount to its carrying amount as at the end of the reporting period. The recoverable amount of the CGU is determined based on value-in-use calculations. These calculations used cash flow projections based on a five-year financial budget approved by management. Cash flows beyond a five-year period approved by management have been extrapolated with an estimated general annual growth of 3% (2017: 3%). The discount rate used of 12.7% (2017: 13.1%) reflects specific risks related to the relevant segment. Other key assumptions for value in use calculations relate to the estimation of cash inflows/outflows which include budged sales and gross margin, such estimation is based on the unit's past performance and management's expectations for the market development.

Accordingly, impairment on goodwill allocated to the Chameleon Group with amount RMB20,576,000 was recognised during the year.

(Expressed in Renminbi unless otherwise indicated)

16 INVESTMENT PROPERTIES

	2018 RMB'000	2017 RMB'000
Cost:		
At 1 January and 31 December	**35,613**	35,613
Accumulated depreciation:		
At 1 January	**11,870**	10,683
Charge for the year	**1,187**	1,187
At 31 December	**13,057**	11,870
Net book value:		
At 31 December	**22,556**	23,743

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

(b) The fair value of the Group's investment properties at 31 December 2018 was RMB34,100,000 (2017: RMB32,700,000). The fair value has been arrived at based on a valuation carried out by Ascent Partners Valuation Service Limited, independent valuers not connected with the Group.

(c) The investment properties were pledged as security for bank borrowings (see note 26).

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

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

	2018 RMB'000	2017 RMB'000
Within 1 year	**1,550**	1,537
After 1 year but within 5 years	**53**	1,000
	1,603	2,537

17 LEASE PREPAYMENTS

	2018 RMB'000	2017 RMB'000
Cost:		
At 1 January	**291,497**	291,497
Additions	**815**	–
At 31 December	**292,312**	291,497
Accumulated amortisation:		
At 1 January	**31,259**	24,150
Charge for the year	**7,115**	7,109
At 31 December	**38,374**	31,259
Net book value:		
At 31 December	**253,938**	260,238

(a) Lease prepayments represented the Group's land use rights on leasehold land located in the PRC. As at 31 December 2018, the remaining period of the land use rights range from 34 to 37 years.

(b) At 31 December 2018, the lease prepayments with carrying value of RMB253,938,000 (2017: RMB260,238,000) were pledged as security for bank borrowings (see note 26).

(Expressed in Renminbi unless otherwise indicated)

18 INTANGIBLE ASSETS

	ERP System RMB'000	Distribution network RMB'000	Total RMB'000
Cost:			
At 1 January 2017	4,429	–	4,429
Acquisition through business combination	–	217,000	217,000
At 1 January 2017, 31 December 2017 and 1 January 2018	4,429	217,000	221,429
Acquisition through business combinations	189	–	189
At 31 December 2018	4,618	217,000	221,618
Accumulated amortisation:			
At 1 January 2017	1,451	–	1,451
Charge for the year	334	18,083	18,417
At 31 December 2017 and 1 January 2018	1,785	18,083	19,868
Charge for the year	338	43,400	43,738
At 31 December 2018	2,123	61,483	63,606
Net book value			
At 31 December 2018	2,495	155,517	158,012
At 31 December 2017	2,644	198,917	201,561

19 INVESTMENT IN AN ASSOCIATE

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

	2018 RMB'000	2017 RMB'000
Cost of investment in an associate	**2,000**	2,000
Share of post-acquisition loss and other comprehensive expense	**(2,000)**	(2,000)
	–	–

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

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

	2018 RMB'000	2017 RMB'000
The unrecognised shares of loss of an associate for the period	**–**	(4,408)
Cumulative unrecognised shares of loss of an associate	**(4,406)**	(4,406)

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

20 FINANCIAL ASSETS AT AMORTISED COST

	2018 RMB'000	2017 RMB'000
Investment fund	**42,000**	–
Less: ECL allowance	**(388)**	–
	41,612	–

The Group held in investment fund with fixed return of 12% per annum and 3 years term from the establishments of the investment funds. Investment fund are ultimately invested but not limited to direct equity acquisition, convertible bonds, share subscription, and participation in private placement. The Investment Fund mainly focuses on investments in new retail and commercial fields.

(Expressed in Renminbi unless otherwise indicated)

20 FINANCIAL ASSETS AT AMORTISED COST (Continued)

(a) Financial assets measured at amortised cost analysed by issuer are as follows:

	2018 RMB'000	2017 RMB'000
By issuer:		
Financial institutions	**42,000**	–
Less: ECL allowance	**(388)**	–
	41,612	–

(b) Movements in ECL allowance are summarised as follows:

	2018 RMB'000	2017 RMB'000
ECL allowance as at 1 January	**–**	–
Recognised during the year	**388**	–
ECL allowance as at 31 December	**388**	–

ECL allowance was classified in stage I due to the new purchased during the year.

(c) The movements in gross carrying amounts are summarised as follows:

	2018 RMB'000	2017 RMB'000
Gross carrying amounts as at 1 January	**–**	–
New financial assets originated or purchased	**42,000**	–
Gross carrying amounts as at 31 December	**42,000**	–

Investment fund was classified in stage I due to the new purchased during the year and there is no significant increase in credit risk at the end of the reporting period.

(Expressed in Renminbi unless otherwise indicated)

21 INVENTORIES

Inventories in the consolidated statement of financial position comprise:

	2018 RMB'000	2017 RMB'000
Raw materials	**8,648**	8,567
Work in progress	**3,425**	5,320
Finished goods	**32,596**	38,323
	44,669	52,210

22 TRADE AND OTHER RECEIVABLES

	2018 RMB'000	2017 RMB'000
Trade receivables	**425,974**	464,794
Less: Loss allowance for expected credit loss *(note (b))*	**(234,115)**	(208,201)
Trade and bills receivables *(note (a) and (c))*	**191,859**	256,593
Prepayments to suppliers	**15,640**	15,892
Other deposits, prepayments and receivables	**15,381**	13,597
	222,880	286,082

(a) Ageing analysis

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

	2018 RMB'000	2017 RMB'000
Within 3 months	**136,736**	203,068
More than 3 months but within 6 months	**50,881**	44,963
More than 6 months but within 1 year	**4,242**	8,562
	191,859	256,593

Trade receivables are normally due for settlement within 90–180 days from the invoice date.

(Expressed in Renminbi unless otherwise indicated)

22 TRADE AND OTHER RECEIVABLES (Continued)

(b) Impairment of trade receivables

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

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

	2018 RMB'000	2017 RMB'000
At 1 January (1 January 2018 amount has been restated)	**214,835**	119,279
Reversal of allowance for doubtful debts recognised in prior years	**(1,026)**	(78,959)
Impairment loss recognised	**20,306**	167,881
At 31 December	**234,115**	208,201

As at 31 December 2018, the Group's trade receivables with net of allowance for doubtful debts of RMB20,306,000 (2017: RMB167,881,000) were individually determined to be impaired. These individually impaired receivables related to customers that were in financial difficulties and hence the management fully impaired the trade receivables during the year. Reversal of allowance for doubtful debts recognised in prior years were fully received by cash during the year.

(c) Trade receivables that are not impaired

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

	2018 RMB'000	2017 RMB'000
Neither past due nor impaired	**191,859**	248,031
Less than 90 days overdue	**–**	8,562
	191,859	256,593

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.

23 PLEDGED BANK DEPOSITS

As at 31 December 2017 and 2018, bank deposits have been pledged as security for bank borrowings, which were repayable within 1 year from the end of the reporting period (see note 26). The pledged bank deposits will be released upon the settlement of relevant bank borrowings and were reclassified as current assets.

(Expressed in Renminbi unless otherwise indicated)

24 CASH AND CASH EQUIVALENTS AND FIXED DEPOSITS HELD AT BANKS

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

	2018 RMB'000	2017 RMB'000
Fixed deposit held at bank with original maturity within three months	**14,800**	11,531
Cash at bank and in hand	**526,559**	490,576
Cash and cash equivalents in the consolidated statements of financial position and consolidated cash flow statement	**541,359**	502,107
Fixed deposits held at bank with original maturity over three months	**12,530**	7,755
	553,889	509,862

At 31 December 2018, cash and cash equivalents in the PRC amounted to RMB554,595,000 (2017: RMB509,013,000). Remittance of funds out of the PRC is subject to exchange restrictions imposed by the PRC government.

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

	Notes	2018 RMB'000	2017 RMB'000
(Loss)/Profit before taxation		**(51,135)**	42,537
Adjustments for:			
— Premium charged on life insurable policies		**374**	–
— Depreciation of property, plant and equipment	7(c)	**17,807**	19,760
— Depreciation of investment properties	7(c)	**1,187**	1,187
— Amortisation of intangible assets	7(c)	**43,650**	18,417
— Amortisation of lease prepayments	7(c)	**7,086**	7,109
— Interest expense	7(a)	**26,414**	21,400
— Interest income		**(2,760)**	(4,025)
— Fair value change of biological assets		**(10)**	–
— Impairment of inventory		**3,954**	–
— Impairment of goodwill		**25,576**	–
— Provision for financial asset at amortised cost		**388**	–
— Loss/(Gain) on disposal of property, plant and equipment and lease prepayments	6	**278**	6,502
— Equity-settled share-based payments for employees	7(b)	**264**	331
— Foreign exchange loss, net		**6,443**	7,122
— Allowance for doubtful debts	7(c)	**20,306**	167,881
— Reversal of allowance for doubtful debts	7(c)	**(1,026)**	(78,959)
Changes in working capital:			
— Decrease in inventories		**4,366**	20,204
— Decrease in trade and other receivables		**39,147**	120,389
— Decrease in trade and other payables		**(31,980)**	(8,755)
Cash generated from operations		**110,329**	341,100

(Expressed in Renminbi unless otherwise indicated)

25 TRADE, BILLS AND OTHER PAYABLES

	2018 RMB'000	2017 RMB'000
Trade payable	**27,932**	31,059
Bills payable	**90,350**	82,620
Other payables	**61,996**	40,388
Final payment for acquisition of subsidiaries	**3,500**	29,282
Accruals	**60,683**	70,018
	244,461	253,367

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

	2018 RMB'000	2017 RMB'000
Within 1 month or on demand	**54,796**	37,214
After than 1 month but within 3 months	**33,486**	19,695
Over 3 months but within 6 months	**30,000**	36,770
Over 6 months but within 1 year	**–**	20,000
	118,282	113,679

26 BANK AND OTHER BORROWINGS

(a) As at 31 December 2018, the bank and other borrowings were repayable as follows:

	2018 RMB'000	2017 RMB'000
Within 1 year or on demand	**434,800**	482,992
After 1 year but within 2 years	**50,000**	–
	484,800	482,992

(Expressed in Renminbi unless otherwise indicated)

26 BANK AND OTHER BORROWINGS (Continued)

(b) Analysed as follows:

	2018 RMB'000	2017 RMB'000
Bank and other borrowings		
— secured	**384,800**	438,992
— unsecured	**100,000**	44,000
	484,800	482,992

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

	2018 RMB'000	2017 RMB'000
Property, plant and equipment *(note 12(b))*	**233,771**	233,402
Investment properties *(note 16(c))*	**22,556**	23,743
Lease prepayments *(note 17(b))*	**253,938**	260,238
Pledge bank deposits *(note 23)*	**70,565**	67,886
	580,830	585,269

As at 31 December 2018 and 31 December 2017 certain bank and other borrowings were guaranteed by Mr. Kwok Kin Sun, who is the ultimate controlling party of the Group.

(d) Key terms and movements of the bank and other borrowings:

	2018 RMB'000	2017 RMB'000
Movement of bank and other borrowings is as follows:		
As at 1 January	**482,992**	606,499
Proceeds from bank and other borrowings	**529,800**	393,800
Repayments of bank and other borrowings	**(527,992)**	(515,658)
Foreign exchange adjustment	**–**	(1,649)
As at 31 December	**484,800**	482,992

(Expressed in Renminbi unless otherwise indicated)

26 BANK AND OTHER BORROWINGS (Continued)

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

	2018 RMB'000	2017 RMB'000
Facility amount	**964,900**	961,757
Utilised facilities amount in respect of bank borrowings	**459,149**	482,992

Certain of the Group's banking borrowings amounted to RMB349,800,000 (2017: RMB350,000,000) are subject to the fulfilment of covenants relating to certain of the Group's statement of financial position ratios, as are commonly found in lending arrangements with financial institutions. If the Group were to breach the covenants, the drawn down facilities would become payable on demand. The Group regularly monitors its compliance with these covenants. As at 31 December 2018 and 31 December 2017, none of the covenants relating to drawn down facilities had been breached.

27 INCOME TAX IN THE CONSOLIDATED STATEMENT OF FINANCIAL POSITION

(a) Deferred tax assets and liabilities recognised:

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

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

Deferred tax arising from:	Withholding tax on dividends RMB'000	Intangible assets recognised at the dates of business combinations RMB'000	Impairment on trade receivable RMB'000	Total RMB'000
At 1 January 2017	(36,440)	–	29,820	(6,620)
Acquisitions through business combination	–	(54,250)	–	(54,250)
(Charged)/credited to consolidated statement of profit or loss and other comprehensive income	(1,300)	4,521	22,230	25,451
At 31 December 2017 and 1 January 2018	(37,740)	(49,729)	52,050	(35,419)
Acquisitions through business combinations	–	–	542	542
Credited to consolidated statement of profit or loss and other comprehensive income	–	17,244	5,877	23,121
At 31 December 2018	(37,740)	(32,485)	58,469	(11,756)

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

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

(ii) Reconciliation to the consolidated statement of financial position

	2018 RMB'000	2017 RMB'000
Deferred tax assets recognised in the consolidated statement of financial position	**58,469**	52,050
Deferred tax liabilities recognised in the consolidated statement of financial position	**(70,225)**	(87,469)

(b) Deferred tax assets not recognised

At 31 December 2018, certain subsidiaries of the Group have not recognised deferred tax assets in respect of cumulative tax losses carried forward of RMB104,447,000 (2017: RMB57,682,000), of which RMB62,541,000 (2017: RMB28,457,000) will expire within 5 years under the current tax legislation. The cumulative tax losses have not been recognised as it is not probable that future taxable profits against which the losses can be utilised will be available in the relevant tax jurisdiction and entities.

(c) Deferred tax liabilities not recognised

Pursuant to the PRC Corporate Income Tax Law and its related regulations, the Group is subject to withholding tax at 10% (unless reduced by tax treaties/arrangements) on dividends receivable from its PRC subsidiaries in respect of their profits generated since 1 January 2008. As at 31 December 2018, deferred tax liabilities relating to the undistributed profits of the Company's PRC subsidiaries of RMB1,365,492,000 (2017: RMB967,540,000) 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.

28 CORPORATE BONDS

	2018 RMB'000	2017 RMB'000
Unsecured corporate bonds	**44,494**	–

The Group's corporate bonds are repayable as follows:

	2018 RMB'000	2017 RMB'000
Within 1 year	**–**	–
After 1 year but within 2 years	**26,543**	–
After 2 years but within 5 years	**7,696**	–
After 5 years	**10,255**	–
	44,494	–

28 CORPORATE BONDS (Continued)

The movement of corporate bonds is as follows:

	2018 RMB'000	2017 RMB'000
At 1 January	–	–
Proceeds from issuance of corporate bonds	47,876	–
Imputed interests	(4,895)	–
Exchange realignment	1,513	–
At 31 December	44,494	–

During the period ended 31 December 2018, the Group issued bonds with a principle amount in a total of HK$56,564,000 carried interest at 5-7.5% per annum. Total transaction cost attributable to the issuance of the bond amounted to HK$6,710,000. The bonds are unsecured with maturity date falling on 2–8 years of the issue date.

The effective interest rate of the bonds is ranging from 9.2% to 13.16% per annum.

29 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.

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30 ACQUISITION OF SUBSIDIARIES

Linqu Dongda Goose Industry Company Limited

On 31 August 2018, Ningbo Baixie Commerce Co., Limited, a wholly-owned subsidiary of the company, entered into an agreement with an independent third party for the acquisition of 60% the issued share capital of Linqu Dongda Goose Industry Company Limited at a cash consideration of RMB5,000,000. Linqu Dongda Goose Industry Company Limited is principally engaged in the goose retail in Shandong. The acquisition of Linqu Dongda Goose Industry Company Limited was completed on 20 November 2018.

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

	RMB'000
Net assets acquired:	
Property, plant and equipment	21,964
Biological Assets	4,635
Intangible assets	101
Long term prepayment	786
Cash and bank equivalents	118
Trade and other receivables	2,338
Inventories	779
Trade and other payables	(434)
Accrued expenses	(22,655)
Deferred tax	542
Tax payables	(1)
Total identifiable net assets at fair value	8,173
Non-controlling interest	(3,269)
	4,904
Cash consideration	5,000
Less: Fair value of net assets acquired	(4,904)
Goodwill *(Note 15)*	96

	RMB'000
Net cash outflow arising on acquisition:	
Cash consideration paid	5,000
Less: cash and cash equivalents acquired	(118)
	4,882

30 ACQUISITION OF SUBSIDIARIES (Continued)

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

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

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

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

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

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

30 ACQUISITION OF SUBSIDIARIES (Continued)

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

Impact of the acquisition on the result of the Group

Included in the Group's profit for the year ended 31 December 2017 was RMB10,596,000 generated by Chameleon Group since the date of acquisition. The Group's revenue for the year ended 31 December 2017 included RMB74,906,000 generated by Chameleon Group since the date of acquisition.

If the business combination been effected on 1 January 2017, the revenue of the Group from continuing operation would have been RMB161,751,000,and the profit for the year ended 31 December 2017 from continuing operations would have been RMB26,781,000. The pro forma information is for illustrative purpose only and is not necessarily an indication of revenue and results of operation of the group that actually would have been achieved had the acquisition been completed on 1 January 2017, nor is it intended to be a projection of future result.

31 EQUITY-SETTLED SHARE-BASED PAYMENTS FOR EMPLOYEES

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

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

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

(Expressed in Renminbi unless otherwise indicated)

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

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

	2018 Weighted average exercise price	2018 Number of options	2017 Weighted average exercise price	2017 Number of options
Outstanding at the beginning of the year	**HK$3.56**	**700,000**	HK$3.56	2,100,000
Lapsed during the year	–	–	HK$3.56	(1,400,000)
Outstanding at the end of the year	**HK$3.56**	**700,000**	HK$3.56	700,000
Exercisable at the end of the year	**HK$3.56**	**700,000**	HK$3.56	400,000

During the year ended 31 December 2018, Nil share options were granted and 700,000 (2017: 400,000) of share options became exercisable as at 31 December 2018.

The share options outstanding as at 31 December 2018 had an exercise price of HK$3.56 (2017: HK$3.56) and a weighted average remaining contractual life of 3.5 (2017: 4.5) years.

(c) Fair value of share options and assumptions

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

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

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

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

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

(Expressed in Renminbi unless otherwise indicated)

32 CAPITAL, RESERVE AND DIVIDENDS

(a) Share capital

Authorised and issued share capital

	2018		2017	
	Number of shares	Amount HK$'000	Number of shares	Amount HK$'000
Authorised:				
Ordinary shares of HK$0.01 at 1 January	**1,000,000,000**	**10,000**	1,000,000,000	10,000
31 December	**1,000,000,000**	**10,000**	1,000,000,000	10,000

	Number of shares	Amount HK$'000	Amount RMB'000	Number of shares	Amount RMB'000	Amount HK$'000
Issued and fully paid:						
Ordinary shares of HK$0.01 at 1 January	**480,900,000**	**4,809**	**3,819**	480,900,000	4,809	3,819
At 31 December	**480,900,000**	**4,809**	**3,819**	480,900,000	4,809	3,819

(b) Nature and purpose of reserves

(i) Share premium

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

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

(ii) Statutory reserve

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

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

(Expressed in Renminbi unless otherwise indicated)

32 CAPITAL, RESERVE AND DIVIDENDS (Continued)

(b) Nature and purpose of reserves (Continued)

(iii) Capital reserve

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

(iv) Exchange reserve

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

(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. Nil has been transferred from the share-based reserve to the share premium account during the years of 2017 and 2018.

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

(c) Distributable reserve

At 31 December 2018, the aggregate amount of reserves (including share premium and accumulated losses) available for distribution to the shareholders of the Company was HK$94,600,000 (2017: HK$108,725,000).

(d) 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 2018 were 37% (2017: 33%).

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

(Expressed in Renminbi unless otherwise indicated)

33 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) Categories of financial instruments

	2018 RMB'000	2017 RMB'000
Financial assets		
Deposit placed for life insurance	**6,858**	–
Deposit for acquisition of intangible assets	**12,917**	12,916
Financial assets at amortised cost	**41,612**	–
Trade and other receivables	**222,880**	286,082
Pledged bank deposits	**70,565**	67,886
Fixed deposits held at bank with original maturity over three months	**12,530**	7,755
Cash and bank balances	**541,359**	502,107
	908,721	876,746
Financial assets at amortised cost	**908,721**	–
Loans and receivables	**–**	876,746
Financial liabilities		
Trade,bills and other payables	**244,461**	253,367
Bank and other borrowings	**484,800**	482,992
Corporate bonds	**44,494**	–
Financial liabilities at amortised cost	**773,755**	736,359

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

(b) 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 2018, 1% of the total trade receivables were due from the Group's largest customer (2017: 6%), and 34% of the total trade receivables were due from the Group's five largest customers (2017: 16%).

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.

The Group applied the HKFRS 9 simplified approach to measuring expected credit losses which uses a lifetime expected credit loss allowance for all accounts receivables. To measure the expected credit losses, accounts receivables have been grouped based on shared credit risk characteristics and the days past due. The following table provides information about the Group's exposure to credit risk and ECLs for trade receivables as at 31 December 2018:

		Trade receivables	
	Expected loss	Gross carrying amount RMB'000	Loss allowance RMB'000
Within 3 months	0%	136,736	–
More than 3 months but within 6 months	9%	55,879	4,998
More than 6 months with 1 year	82%	23,155	18,913
Over 1 year	100%	210,204	210,204
		425,974	234,115

(Expressed in Renminbi unless otherwise indicated)

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

(b) Credit risk (Continued)

(i) Trade and other receivables (Continued)

Expected loss rates are based on actual loss experience over the past year. The historical loss rates are adjusted to reflect current and forward-looking information on macroeconomic factors affecting the ability of the customers to settle the receivables.

Comparative information under HKAS 39

Prior to 1 January 2018, an impairment loss was recognised only when there was objective evidence of impairment. At 31 December 2017, trade receivables of RMB208,201,000 was determined to be impaired. The aging analysis of trade debtors that were not considered to be impaired was as follows:

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

The credit quality of other receivables excluding prepayments has been assessed with reference to historical information about the counterparties default rates and financial position of the counterparties. The directors are of the opinion that the credit risk of other receivables is low due to the sound collection history of the receivables due from them. Therefore, expected credit loss rate of the other receivables excluding prepayments is assessed to be close to zero and no provision was made as of 31 December 2018.

(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.

(iii) Financial assets at amortised cost

As at 31 December 2018, the Group measured the loss allowance for financial assets at amortised cost to be RMB888,000, all of which are stage loss allowances. The book value of the corresponding financial assets was RMB41,612,000.

(Expressed in Renminbi unless otherwise indicated)

33 FINANCIAL RISK MANAGEMENT AND FAIR VALUES OF FINANCIAL INSTRUMENTS

(Continued)

(c) 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 2018				
Current liabilities				
Bank and other borrowings	**446,561**	**–**	**446,561**	**434,000**
Trade, bills and other payables	**244,461**	**–**	**244,461**	**244,461**
Non-current liabilities				
Bank and other borrowings	**–**	**57,094**	**57,094**	**50,000**
Corporate bonds	**–**	**50,784**	**50,784**	**44,494**
	691,022	**107,878**	**798,900**	**772,955**
As at 31 December 2017				
Current liabilities				
Bank and other borrowings	495,594	–	495,594	482,992
Trade, bills and other payables	253,367	–	253,367	253,367
	748,961	–	748,961	736,359

(Expressed in Renminbi unless otherwise indicated)

33 FINANCIAL RISK MANAGEMENT AND FAIR VALUES OF FINANCIAL INSTRUMENTS

(Continued)

(d) 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.

	2018		2017	
	Effective interest rate	**Amount RMB'000**	Effective interest rate	Amount RMB'000
Fixed rate borrowings:				
Bank and other borrowings	**5.05%**	**484,800**	4.98%	393,800
Variable rate borrowings:				
Bank borrowings	**N/A**	**–**	2.64%	89,192
Total bank and other borrowings		**484,800**		482,992
Net fixed rate borrowings as a percentage of total borrowings		**100%**		82%

(ii) Sensitivity analysis

At 31 December 2018, 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 RMBnil (2017: RMB892,000). Other components of equity would not be affected by the changes in interest rates.

The sensitivity analysis above indicates the instantaneous change in the group's profit after tax (and retained profits) and other components of consolidated equity that would arise assuming that the change in interest rates had occurred at the end of the reporting period and had been applied to re-measure those financial instruments held by the group which expose the group to fair value interest rate risk at the end of the reporting period. In respect of the exposure to cash flow interest rate risk arising from floating rate non-derivative instruments held by the group at the end of the reporting period, the impact on the group's profit after tax (and retained profits) and other components of consolidated equity is estimated as an annualised impact on interest expense or income of such a change in interest rates. The analysis is performed on the same basis as 2017.

(Expressed in Renminbi unless otherwise indicated)

33 FINANCIAL RISK MANAGEMENT AND FAIR VALUES OF FINANCIAL INSTRUMENTS

(Continued)

(e) 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)	
	2018 United States Dollars RMB'000	2017 United States Dollars RMB'000
Cash and cash equivalent	**1,653**	31,301

(ii) Sensitivity analysis

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

	2018		2017	
	Appreciation (Depreciation) (%)	**Increase/ (decrease) in profit after tax and retained profits RMB'000**	Appreciation (Depreciation) (%)	Increase/ (decrease) in profit after tax and retained profits RMB'000
US dollars	**5%**	**83**	5%	1,565

(f) Fair value

All financial assets and liabilities are carried at amounts not materially different from their fair values as at 31 December 2018 and 31 December 2017.

34 COMMITMENTS

(a) Capital commitments

Capital commitments of the Group in respect of construction in progress as at 31 December 2018 that were not provided for in the consolidated financial statements were as follows:

	2018 RMB'000	2017 RMB'000
Contracted for	**182,866**	199,259

(b) Operating leases

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

	2018 RMB'000	2017 RMB'000
Within 1 year	**1,177**	1,591
After 1 year but within 2 years	**438**	834
	1,615	2,425

None of the leases include contingent rentals.

35 MATERIAL RELATED PARTY TRANSACTIONS

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

(a) Key management personnel compensation

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

	2018 RMB'000	2017 RMB'000
Short-term employee benefits	**2,379**	5,561
Retirement scheme contributions	**31**	60
Share-based payments for employees	**42**	121
	2,452	5,742

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

(Expressed in Renminbi unless otherwise indicated)

36 COMPANY-LEVEL STATEMENT OF FINANCIAL POSITION

	Notes	2018 RMB'000	2017 RMB'000
Non-current assets			
Investment in a subsidiary		**–**	–
Current assets			
Other receivables		**496**	121
Amounts due from subsidiaries		**234,855**	196,489
Cash and cash equivalents		**5,761**	134
		241,112	196,744
Current liabilities			
Short-term borrowing		**44,494**	–
Accrual and other payables		**2,918**	1,631
Amounts due to subsidiaries		**106,504**	104,574
		153,916	106,205
Net current assets		**87,196**	90,539
Total assets less current liabilities		**87,196**	90,539
Net assets		**87,196**	90,539
Capital and reserves			
Share capital	*32(a)*	**3,819**	3,819
Reserves	*32(b)*	**83,377**	86,720
Total equity		**87,196**	90,539

Approved and authorised for issue by the board of directors on 28 March 2019.

Kwok Kin Sun	**Kwok Hon Fung**
Chairman	*Director*

(Expressed in Renminbi unless otherwise indicated)

36 COMPANY-LEVEL STATEMENT OF FINANCIAL POSITION (Continued)

(a) Movements in components of equity

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

	Notes	Share capital RMB'000 Note 32(a)	Share premium RMB'000 Note 32(b)(i)	Exchange reserve RMB'000 Note 32(b)(iv)	Share-based payment reserve RMB'000 Note 32(b)(v)	Accumulated losses RMB'000	Total RMB'000
At 1 January 2017		3,819	136,871	18,339	649	(48,364)	111,314
Total comprehensive income for the year		–	–	(13,570)	–	(7,536)	(21,106)
Share-based payments for employees	32(b)(v)	–	–	–	331	–	331
Lapse of share options	32(b)(v)	–	–	–	(633)	633	–
At 31 December 2017 and 1 January 2018		3,819	136,871	4,769	347	(55,267)	90,539
Total comprehensive income for the year		**–**	**–**	**8,801**	**–**	**(12,408)**	**(3,607)**
Share-based payment for employees	32(b)(v)	**–**	**–**	**–**	**264**	**–**	**264**
At 31 December 2018		**3,819**	**136,871**	**13,570**	**611**	**(67,675)**	**87,196**

(Expressed in Renminbi unless otherwise indicated)

37 PARTICULARS OF INVESTMENTS IN SUBSIDIARIES

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

Name of Company	Place of incorporation/ establishment and business	Issued and fully paid up capital	Proportion of equity interest attributable to the Company 2018 Direct	2018 Indirect	2017 Direct	2017 Indirect	Principal activities
Bigtime Global Limited ("Bigtime Global")	BVI	US$10	**100%**	**–**	100%	–	Investment holding
Tiger Capital Fashion (Holdings) Company Limited ("Tiger Capital HK")	Hong Kong	HK$100,000	**–**	**100%**	–	100%	Investment holding
Tiger Capital (China) Fashion Co., Ltd. *(note (i) and (ii))* ("Tiger Capital Fashion") (虎都(中國)服飾有限公司)	PRC	HK$100,000,000	**–**	**100%**	–	100%	Wholesale of menswear
Fordoo (China) Industrial Ltd., Co *(note (i) and (ii))* ("Fordoo Industrial") (虎都(中國)實業有限公司)	PRC	HK$353,436,677	**–**	**100%**	–	100%	Manufacture and wholesale of menswear
Huian Tiger Capital Technology Company Limited *(note (i) and (ii))* ("Tiger Capital Technology") (惠安虎都科技有限公司)	PRC	RMB30,000,000	**–**	**100%**	–	100%	Research and development
Quanzhou Fordoo Commercial and Trading Company Limited *(note (i), (ii) and (iv))* (泉州虎都商貿有限公司)	PRC	–	**–**	**100%**	–	100%	Trading of menswear
Chameleon Ventures Limited (嘉龍投資有限公司)	BVI	US$1	**–**	**100%**	–	100%	Investment holding
Asia Advance Inc Limited (雋煌有限公司)	Hong Kong	HK$100	**–**	**100%**	–	100%	Investment holding
Quanzhou Baoying Fashion Co., Ltd. *(note (i), (ii) and (v))* (泉州百盈服飾有限公司)	PRC	–	**–**	**100%**	–	100%	Investment holding
Beijing Haoyin Clothing Co., Ltd. *(note (i) and (ii))* (北京浩垠服飾有限公司)	PRC	RMB5,000,000	**–**	**100%**	–	100%	Trading of menswear
Ningbo Baixie Commerce Co., Limited *(note (i) and (ii))* (寧波百協商貿有限公司)	PRC	RMB6,785,793	**–**	**100%**	–	–	Investment holding
Tianjin Yuexin Yicai E-Commerce Co., Limited *(note (i) and (ii))* (天津悦心億彩電子商務有限公司)	PRC	RMB10,000,000	**–**	**100%**	–	–	Retail and distribute consumer goods
Linqu Donada Goose Industry Company Limited *(note (i) and (ii))* (臨朐東大鵝業有限公司)	PRC	RMB20,000,000	**–**	**60%**	–	–	Retail of goose

(Expressed in Renminbi unless otherwise indicated)

37 PARTICULARS OF INVESTMENTS IN SUBSIDIARIES (Continued)

Notes:

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

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

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

(iv) These subsidiaries were established in 2016, the capital have not been paid up as at 31 December 2017 and 2018.

(v) This subsidiaries were established in 2017, the capital have not been paid up as at 31 December 2017 and 2018.

38 SIGNIFICANT ACCOUNTING ESTIMATES AND JUDGEMENTS

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

The selection of critical accounting policies, the judgements and other uncertainties affecting application of those policies and the sensitivity of reported results to changes in condition and assumptions are factors to be considered when reviewing the financial statements. The principal accounting policies are set forth in note 3. The Group believes the following critical accounting policies involve the most significant judgements and estimates used in the preparation of the consolidated financial statements.

(a) Depreciation

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

(b) Impairments

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

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

(Expressed in Renminbi unless otherwise indicated)

38 SIGNIFICANT ACCOUNTING ESTIMATES AND JUDGEMENTS (Continued)

(c) Net realisable value of inventories

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

(d) Provision of ECL for trade receivables

The Group uses provision matrix to calculate ECL for the trade receivables. The provision rates are based on last due aging as groupings of various debtors that have similar loss patterns. The provision matrix is based on the Group's historical default rates taking into consideration forwardlooking information that is reasonable and supportable available without undue costs or effort. At every reporting date, the historical observed default rates are reassessed and changes in the forward-looking information are considered. In addition, trade receivables with significant balances and credit impaired are assessed for ECL individually.

The provision of ECL is sensitive to changes in estimates. The information about the ECL and the Group's trade receivables are disclosed in note 33(b) respectively.

39 APPROVAL OF THE CONSOLIDATION FINANCIAL STATEMENTS

The consolidation financial statements were approved and authorised for issue by the board of directors on 28 March 2019.

Five Years Summary

	2014 RMB'000	2015 RMB'000	2016 RMB'000	2017 RMB'000	**2018 RMB'000**
Revenue	1,672,410	1,873,709	1,185,830	1,129,418	**611,049**
(Loss)/Profit from operations	411,299	434,824	215,486	63,937	**(24,721)**
Finance costs	(24,214)	(22,667)	(22,271)	(21,400)	**(26,414)**
(Loss)/Profit before taxation	387,085	412,157	193,215	42,537	**(51,135)**
Share loss of an associate	–	–	–	(2,000)	**–**
Income tax	(116,451)	(123,490)	(61,626)	(18,411)	**6,996**
(Loss)/Profit for the year	270,634	288,667	131,589	22,126	**(44,139)**
(Loss)/Earnings per share (RMB cents)					
Basic	65	60	27	5	**(9)**
Diluted	65	60	27	5	**(9)**
Assets and liabilities					
Non-current assets	710,126	760,731	854,775	1,363,605	**1,368,494**
Current assets	1,164,730	1,417,052	1,449,509	916,040	**893,874**
Current liabilities	616,018	612,927	846,889	739,907	**687,923**
Net current assets	548,712	804,125	602,620	176,133	**205,951**
Total assets less current liabilities	1,258,838	1,564,856	1,457,395	1,539,738	**1,574,445**
Non-current liabilities	14,240	175,716	36,440	87,469	**164,719**
NET ASSETS	1,244,598	1,389,140	1,420,955	1,452,269	**1,409,726**
Capital and reserves					
Share Capital	3,811	3,811	3,819	3,819	**3,819**
Reserves	1,240,787	1,385,329	1,417,136	1,448,450	**1,402,340**
Equity attributable to equity holders of the Company	1,244,598	1,389,140	1,420,955	1,452,269	**1,406,159**
Non-controlling interest	–	–	–	–	**3,567**
Total equity	1,244,598	1,389,140	1,420,955	1,452,269	**1,409,726**