THIS CIRCULAR IS IMPORTANT AND REQUIRES YOUR IMMEDIATE ATTENTION

If you are in any doubt as to any aspect of this circular or as to the action to be taken, you should consult your stockbroker or other registered dealer in securities, bank manager, solicitor, professional accountant or other professional adviser.

If you have sold or transferred all your shares in Koradior Holdings Limited, you should at once hand this circular and the accompanying form of proxy to the purchaser(s) or the transferee(s) or to the bank, stockbroker or other agent through whom the sale or transfer was effected for transmission to the purchaser(s) or the transferee(s).

This circular is for information purpose only and does not constitute an invitation or offer to acquire, purchase or subscribe for any securities of the Company.

Koradior Holdings Limited
珂萊蒂爾控股有限公司

(Incorporated in the Cayman Islands with limited liability)

(Stock Code: 3709)

(1) MAJOR AND CONNECTED TRANSACTION RELATING TO ACQUISITION OF THE ENTIRE ISSUED SHARE CAPITAL OF KEEN REACH
(2) PROPOSED CHANGE OF NAME
(3) PROPOSED AMENDMENTS TO THE ARTICLES
AND
(4) NOTICE OF EXTRAORDINARY GENERAL MEETING

Financial Adviser to the Company

東方融資(香港)有限公司
ORIENT CAPITAL (HONG KONG) LIMITED

Independent Financial Adviser to the Independent Board Committee and the Independent Shareholders

綽耀資本
REDSOLAR

A notice convening an extraordinary general meeting of Koradior Holdings Limited to be held at Portion 2, 12/F., The Centre, 99 Queen's Road Central, Central, Hong Kong on Wednesday, 22 May 2019 at 3 p.m., is set out on pages EGM-1 to EGM-3 of this circular. A form of proxy for use at the extraordinary general meeting is also enclosed with this circular. Such form of proxy is also published on the websites of The Stock Exchange of Hong Kong Limited at www.hkex.com.hk and the Company at www.koradior.com.

Whether or not you are able to attend the extraordinary general meeting, you are requested to complete the accompanying form of proxy in accordance with the instructions printed thereon and return the same to the Company's share registrar and transfer office in Hong Kong, Tricor Investor Services Limited, at Level 22, Hopewell Centre, 183 Queen's Road East, Hong Kong as soon as practicable and in any event not less than 48 hours before the time appointed for holding the extraordinary general meeting, or any adjournment thereof (as the case may be). Completion and return of the form of proxy will not preclude you from attending and voting in person at the extraordinary general meeting or any adjourned meeting (as the case may be) should you so wish. In such event, the instrument appointing a proxy shall be deemed revoked.

29 April 2019

CONTENTS

In this circular, unless the context otherwise requires, the following expressions shall have the following meanings:

"Acquisition"	the acquisition of the Sale Shares and the taking of an assignment of the Shareholder's Loan by the Company from the Vendor pursuant to the Acquisition Agreement
"Acquisition Agreement"	the conditional sale and purchase agreement dated 25 March 2019 entered into between the Company and the Vendor in relation to the Acquisition
"Announcement"	The announcement of the Company dated 25 March 2019 in relation to, among other things, the Acquisition, the Proposed Change of Company Name and the Proposed Amendments to the Articles
"Articles"	the existing memorandum and articles of association of the Company
"Board"	the board of Directors
"Business Day(s)"	any day (excluding Saturday and Sunday and public holidays) on which licensed banks in Hong Kong are generally open for business in Hong Kong
"Company" or "Purchaser"	Koradior Holdings Limited, a company incorporated in the Cayman Islands with limited liability and the Shares of which are listed on the Main Board of the Stock Exchange (Stock Code: 3709)
"Completion"	the completion of the Acquisition pursuant to the terms and conditions contained in the Acquisition Agreement
"Completion Date"	seven Business Days immediately following the date on which all conditions are satisfied or waived or such later date as the parties to the Acquisition Agreement shall agree
"connected person(s)"	has the meaning ascribed to it in the Listing Rules
"Consideration Shares"	a total of 198,713,195 Shares to be allotted and issued by the Company pursuant to the Acquisition Agreement as part of the Total Consideration at the Issue Price to the Vendor (or such other person(s) as may be directed by the Vendor) in respect of the Acquisition

"Director(s)"	the director(s) of the Company
"EGM"	the extraordinary general meeting of the Company to be convened and held for, the purpose of considering and, if thought fit, approving, among other things, the Acquisition Agreement, the Proposed Change of Company Name and the Proposed Amendments to the Articles
"Enlarged Group"	the Group immediately upon completion of the Acquisition
"EV/EBITDA"	enterprise value to earnings before interest, taxes, depreciation and amortization
"Extra Wisdom"	Extra Wisdom Limited, a company incorporated in Hong Kong with limited liability, which is wholly owned by Keen Reach
"Group"	the Company and its subsidiaries from time to time
"Hong Kong"	the Hong Kong Special Administrative Region of the PRC
"HK$"	Hong Kong dollars, the lawful currency of Hong Kong
"Independent Board Committee"	an independent committee of the Board comprising all its independent non-executive Directors, established for the purpose of advising Independent Shareholders on the Acquisition Agreement and the transactions contemplated therein (including the allotment and issue of the Consideration Shares)
"Independent Financial Adviser"	Red Solar Capital Limited, a corporation licensed to carry on Type 1 (dealing in securities) and Type 6 (advising on corporate finance) regulated activities for the purpose of the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong), which has been appointed as the independent financial adviser to the Independent Board Committee and the Independent Shareholders advising on the Acquisition Agreement
"Independent Shareholders"	the Shareholders, other than those required under the Listing Rules to abstain from voting on the resolution(s) to be proposed at the EGM, to approve the Acquisition and the transactions contemplated therein (including the allotment and issue of the Consideration Shares)

"Issue Price"	the issue price of the Consideration Shares at HK$9.50 per Share
"Keen Reach"	Keen Reach Holdings Limited, a company incorporated in the British Virgin Islands with limited liability, which is wholly owned by Apex Noble as at the Latest Practicable Date
"Latest Practicable Date"	23 April 2019, being the latest practicable date prior to the printing of this circular for the purpose of ascertaining certain information contained herein
"Listing Rules"	the Rules Governing the Listing of Securities on the Stock Exchange
"Longstop Date"	the expiry of the six months immediately following the date on which the Acquisition Agreement was executed
"Operating Subsidiaries"	Shenzhen Aoruina and Shenzhen Naersi
"PRC"	the People's Republic of China, which for the purpose of this circular excludes, Hong Kong, the Macau Special Administrative Region and Taiwan
"Proposed Amendments to the Articles"	the proposed amendments to the Articles to reflect the Proposed Change of Company Name
"Proposed Change of Company Name"	the proposed change of the name of the Company from "Koradior Holdings Limited (珂萊蒂爾控股有限公司)" to "EEKA Fashion Holdings Limited (贏家時尚控股有限公司)"
"RMB"	Renminbi, the lawful currency of the PRC
"Sale Shares"	the 1,000 shares of US$1,000 legally and beneficially owned by Apex Noble, representing the entire issued share capital of Keen Reach to be acquired by the Company from the Vendor pursuant to the Acquisition Agreement
"SFO"	the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong)
"Share(s)"	ordinary share(s) of HK$0.01 each in the share capital of the Company

"Shareholder(s)"	the holder(s) of the Share(s) of the Company
"Shareholder's Loan"	an amount of HK$44,575,124 which is outstanding, repayable upon demand and owing by Keen Reach to the Vendor as at the date of the Acquisition Agreement and at Completion in respect of an interest-free loan made available by the Vendor to Keen Reach
"Shareholder's Loan Assignment"	the assignment of the Shareholder's Loan to be entered into between the Vendor, the Company and Keen Reach at Completion in respect of the assignment of the Shareholder's Loan from the Vendor as assignor to the Company as assignee based on the same terms and conditions upon which the Shareholder's Loan is made available by the Vendor to Keen Reach immediately prior to Completion
"Shenzhen Aoruina"	Aoruina Garments (Shenzhen) Co., Ltd.* (奧瑞納服飾(深圳)有限公司), a company established in the PRC with limited liability, which is wholly owned by Extra Wisdom
"Shenzhen Naersi"	Shenzhen Naersi Fashion Co., Ltd.* (深圳市娜爾思時裝有限公司), a company incorporated in the PRC with limited liability, which is wholly owned by Shenzhen Aoruina
"Stock Exchange"	The Stock Exchange of Hong Kong Limited
"Target Group"	Keen Reach, Extra Wisdom and the Operating Subsidiaries
"Total Consideration"	the amount of HK$2,387,775,349, being the total consideration payable by the Company to the Vendor for the Acquisition pursuant to the Acquisition Agreement
"US$"	United States dollars, the lawful currency of the United States of America
"Vendor" or "Apex Noble"	Apex Noble Holdings Limited, a company incorporated in the British Virgin Islands with limited liability, which is wholly owned by Mr. Jin Rui
"%"	per cent.

For the purpose of this circular, unless the context otherwise requires, conversion of RMB into HK$ is based on the approximate exchange rate of RMB0.86 to HK$1.00. Such exchange rate is for the purpose of illustration only and does not constitute a representation that any amounts in HK$ or RMB have been, could have been or may be converted at such or any other rate or at all.

The English names of Chinese entities marked with "" are translations of their Chinese names and are included in this circular for identification purpose only, and should not be regarded as their official English translation. In the event of any inconsistency, the Chinese name prevails.*

Koradior Holdings Limited
珂萊蒂爾控股有限公司

(Incorporated in the Cayman Islands with limited liability)

(Stock Code: 3709)

Executive Directors:
Mr. JIN Ming
Ms. HE Hongmei

Non-executive Director:
Mr. YANG Weiqiang

Independent non-executive Directors:
Mr. ZHONG Ming
Mr. ZHOU Xiaoyu
Mr. ZHANG Guodong

Registered office:
Conyers Trust Company (Cayman) Limited
Cricket Square
Hutchins Drive
P.O. Box 2681
Grand Cayman KY1-1111
Cayman Islands

Head office and principal place of business in Hong Kong:
Unit C, 17/F, OfficePlus@Mong Kok
No. 998 Canton Road
Kowloon
Hong Kong

29 April 2019

To the Shareholders

Dear Sir or Madam

(1) MAJOR AND CONNECTED TRANSACTION RELATING TO ACQUISITION OF THE ENTIRE ISSUED SHARE CAPITAL OF KEEN REACH
(2) PROPOSED CHANGE OF NAME
(3) PROPOSED AMENDMENTS TO THE ARTICLES
AND
(4) NOTICE OF EXTRAORDINARY GENERAL MEETING

INTRODUCTION

Reference is made to the announcement of the Company dated 25 March 2019 in relation to, among other things, the Acquisition, the Proposed Change of Company Name and the Proposed Amendments to the Articles.

The purpose of this circular is to provide the Shareholders with, among other things, (i) details of the Acquisition; (ii) the letter of recommendation from the Independent Board Committee to the Independent Shareholders in respect of the Acquisition; (iii) the letter from the Independent Financial Adviser to the Independent Board Committee and the Independent Shareholders in respect of the Acquisition; (iv) details of the Proposed Change of Company name; (v) details of the Proposed Amendments to the Articles; (vi) the notice of the EGM; and (vii) other information as required under the Listing Rules.

THE ACQUISITION AGREEMENT

Date

25 March 2019

Parties

(i) the Company, as the Purchaser

(ii) Apex Noble, as the Vendor

As at the Latest Practicable Date, the Vendor is directly legally owned as to 100% by Mr. Jin Rui, the brother of Mr. Jin Ming, the chairman, chief executive officer and an executive Director of the Company, and is therefore a connected person of the Company under the Listing Rules.

Assets to be acquired

(i) the Sale Shares, representing the entire issued share capital of Keen Reach as at the Latest Practicable Date. Upon Completion, Keen Reach will become wholly-owned subsidiary of the Company; and

(ii) the Shareholder's Loan.

Consideration and Payment Terms

Pursuant to the Acquisition Agreement, the Total Consideration of HK$2,387,775,349 shall be satisfied by the Company in the following manner:

(i) HK$500,000,000, being 20.94% of the Total Consideration, shall be payable by the Company to the Vendor by way of telegraphic transfer according to the payment instructions given by the Vendor in writing within three (3) years after the Completion Date; and

(ii) the balance thereof by the issue and allotment of the Consideration Shares of 198,713,195 new Shares at the Issue Price of HK$9.50 to the Vendor (or such other person(s) as may be directed by the Vendor in writing) within seven business days from the Completion Date. Based on the closing price of the Shares of HK$9.30 per Share as quoted on the Stock Exchange on 25 March 2019, being the date of the Acquisition Agreement, the market value of the Consideration Shares was approximately HK$1,848,032,714.

The cash consideration payable by the Company will be satisfied by the internal resources of the Group. In addition, the Company is considering carrying out equity and/or debt financing through suitable financing channels and methods in order to supplement the financial resources and to strengthen the capital base of the Company.

Basis of the Consideration

The Total Consideration was arrived at after arm's length negotiations between the Company and the Vendor and was determined after having taken into account various relevant factors including:

(i) the valuation of Keen Reach of RMB2,281,652,000 as at 31 December 2018 (which is based on market approach), implying 9.9 times of EV/EBITDA multiple for 2018, based on a valuation report issued by AVISTA Valuation Advisory Limited, an independent professional valuer appointed by the Company. The consideration of the Acquisition reflects a 10% discount to the valuation (based on market approach);

(ii) the historic financial position and performance and the future prospects of the Operating Subsidiaries;

(iii) the competitive landscape and economic outlook of the womenswear industry in the PRC;

(iv) the benefits to be derived by the Group from the Acquisition including the synergy effect as described herein below; and

(v) the Shareholder's Loan.

The Consideration Shares

On the basis of the closing price of the Company of HK$9.30 per Share as quoted on the Stock Exchange on 25 March 2019 (being the date of the Acquisition Agreement), the market value of the Consideration Shares is approximately HK$1,848,032,714. The Consideration Shares represent approximately 40.86% of the existing issued share capital of the Company as at the Latest Practicable Date; or approximately 29.01% of the enlarged issued share capital of the Company immediately upon Completion (assuming that there will not be any change in the issued share capital of the Company from the Latest Practicable Date up to the Completion Date).

The Issue Price of HK$9.50 per Share was arrived at after arm's length negotiations between the Company and the Vendor with reference to, among others, the recent trading prices of the Shares, the financial performance of the Group and the current market conditions and represents:

(i) a premium of approximately 2.15% to the closing price of the Shares of HK$9.30 per Share as quoted on the Stock Exchange on 25 March 2019, being the date of the Acquisition Agreement;

(ii) a premium of approximately 3.22% to the average closing price of the Shares of approximately HK$9.20 per Share for the last 5 trading days up to and including 25 March 2019, being the date of the Acquisition Agreement;

(iii) a premium of approximately 2.48% to the average closing price of the Shares of HK$9.27 per Share for the last 10 trading days up to and including 25 March 2019, being the date of the Acquisition Agreement;

(iv) a premium of approximately 0.73% to the average closing price of the Shares of approximately HK$9.43 per Share for the last 30 trading days up to and including 25 March 2019, being the date of the Acquisition Agreement;

(v) a discount of approximately 0.88% to the average closing price of the Shares of approximately HK$9.58 per Share for the last 90 trading days up to and including 25 March 2019, being the date of the Acquisition Agreement; and

(vi) a discount of approximately 0.97% to the average closing price of the Shares of approximately HK$9.59 per Share for the last 180 trading days up to and including 25 March 2019, being the date of the Acquisition Agreement.

The Consideration Shares, upon issue, shall rank *pari passu* in all respects with the existing Shares save that the Consideration Shares will not rank for any dividend or other distribution of the Company declared by reference to a record date prior to the issue date of the Consideration Shares.

The allotment and issue of the Consideration Shares will not result in a change of control of the Company.

Conditions Precedent

Completion of the Acquisition Agreement is conditional upon, among others:

(i) the passing by Independent Shareholders at the EGM by poll of an ordinary resolution to approve: (1) the Acquisition contemplated under the Acquisition Agreement and the Shareholder's Loan Assignment as required by the Listing Rules; and (2) the allotment and issue of the Consideration Shares to the Vendor (or such other person(s) as may be directed by the Vendor in writing) under the Acquisition Agreement;

(ii) the Listing Committee of the Stock Exchange granting the listing of, and permission to deal in, the Consideration Shares;

(iii) the obtaining of all necessary consents, authorisations or other approvals of any kind by the Vendor, Keen Reach and the Company in connection with the Acquisition Agreement and the Shareholder's Loan Assignment;

(iv) the Company having conducted and completed due diligence on all business, legal and financial matters, and all such other matters as deemed necessary by the Company in its absolute discretion in relation to the Target Group, and the Company being satisfied with the results of such due diligence in its absolute discretion;

(v) the warranties given by the Vendor in the Acquisition Agreement remaining true and accurate and not misleading in any material respect if they were repeated at any time prior to Completion by reference to the facts and circumstances then existing; and

(vi) the confirmation of the Company that conditions (i) to (v) above have been fulfilled or waived (except that (i) and (ii) cannot be waived).

The Company shall be entitled to waive the compliance with the conditions (iii) to (vi) above as the parties agreed to retain flexibility to complete the Acquisition notwithstanding that such conditions may be unfulfilled. If the above conditions are not fulfilled or waived on or before the Longstop Date (unless otherwise agreed to be extended by the parties to the Acquisition Agreement), the Acquisition Agreement shall terminate and neither party shall have any liability thereunder save for any antecedent breach of the terms of the Acquisition Agreement.

As at the Latest Practicable Date, conditions (iii) and (iv) have been satisfied. The Company expects that all the conditions (including the remaining conditions (v) and (vi)) will be fulfilled on or before the Completion date.

Completion

Upon compliance with or fulfilment or waiver of all the conditions precedent, Completion shall take place on the Completion Date. It is agreed between the parties that, upon Completion, the Company together with its wholly-owned subsidiary, Keen Reach, shall be entitled to all the net profits or losses (as the case may be) of Extra Wisdom and any dividends, bonus shares and warrants etc., declared and distributed by Extra Wisdom for the period from the Completion Date onwards.

An application will be made by the Company to the Stock Exchange for the listing of, and permission to deal in, the Consideration Shares.

Following the Completion, Keen Reach will become a wholly-owned subsidiary of the Company and the financial results of the Target Group will be consolidated into the financial statements of the Group.

SHAREHOLDING STRUCTURE OF THE COMPANY

Assuming that there will not be any change in the issued share capital of the Company from the Latest Practicable Date up to the Completion Date, set out below is the table of the shareholding structure of the Company (i) as at the Latest Practicable Date; and (ii) immediately after the Completion:

	As at the Latest Practicable Date		Immediately after the Completion	
	Number of Shares	Approximate percentage of total issued Shares	Number of Shares	Approximate percentage of total issued Shares
Name of Shareholders				
Koradior Investments Limited *(Note 1)*	300,450,500	61.78%	300,450,500	43.86%
Sisu Holdings Limited *(Note 2)*	41,680,578	8.57%	41,680,578	6.08%
Mr. Guo Guangchang and companies controlled by him *(Note 3)*	25,800,000	5.30%	25,800,000	3.77%
Apex Noble	–	–	198,713,195	29.01%
Other public shareholders	118,405,922	24.35%	118,405,922	17.28%
Total	**486,337,000**	**100.00%**	**685,050,195**	**100.00%**

Notes:

1. The entire issued share capital of Koradior Investments Limited is wholly-owned by Mayberry Marketing Limited, the entire issued share capital of which is in turn wholly-owned by BOS Trustee Limited as trustee of the Fiona Trust. The Fiona Trust is a discretionary trust set up by Mr. Jin Ming as settlor. The beneficiaries of Fiona Trust are Mr. Jin Ming, his spouse and his children. Mr. Jin Ming as founder of Fiona Trust is taken to be interested in the 300,450,500 Shares held by Koradior Investments Limited by virtue of Part XV of the SFO.

2. The entire issued share capital of Sisu Holdings Limited is wholly owned by Ms. Jinny Chui, an independent third party.

3. Mr. Guo Guangchang, an independent third party, is deemed to be interested in the 25,800,000 Shares held by Fosun Ruizhe Grace Investments Limited pursuant to the SFO by virtue of Fosun Ruizhe Grace Investments Limited being a subsidiary of Fosun International Limited, which is 70.72% owned by Fosun Holdings Limited, which in turn is a subsidiary of Fosun International Holdings Limited, in which Mr. Guo Guangchang holds 85.29% interest.

REASONS FOR, AND BENEFITS OF, THE ACQUISITION

The Company is an investment holding company. The Group engages in the design, retail and wholesale of womenswear products of the Group's self-owned brands, namely "Koradior", "La Koradior", "Koradior elsewhere" and "De Kora" which target affluent ladies between the ages of 30 and 45 in the PRC. In addition, in 2017 the Group entered into an exclusive distribution and marketing agreement for a term of five years in relation to products under the brands "Obzee" and "O'2nd" which cover a wide range of high quality womenswear, which targets affluent ladies between the ages of 25 to 50. The long term objective of the Group is to be the top player of the high-end womenswear industry in the PRC.

The business of the Target Group is very similar to the Group. It principally engages in the design, retail and wholesale of middle and high-end womenswear products of its self-owned brands in the PRC, namely "NAERSI", "NEXY.CO" and "NAERSILING", and also targets affluent ladies between the ages of 30 and 45. NAERSI is delivering "City Elite" fashion cultural and high quality, fine taste and comfortable clothing for elite women with the pursuit of successful career and life. NEXY.CO is dedicated to urban, chic women with a sophisticated, charismatic and refined image. NAERSILING embodies classical tailoring with modern design and a state of young mind into artful expression, confident lifestyle and diversified beauty performances, defines its brand style as freedom, simple and modern.The Acquisition is an important step for the Group to continue to implement its multi-brand development strategy through diversification of its brands and brand portfolio. Under such multi-brand strategy, the Group will be able to meet the constantly changing needs of its target customers.

The Group has adopted a strategy to focus predominantly on self-operated retail stores, with products being sold across a nationwide sales network, covering 31 cities, provinces, autonomous regions and municipalities in the PRC. As at 31 December 2018, there were 862 retail stores, of which 641 were self-operated and 221 were operated by distributors. By enlarging the Group's distribution networks, the Acquisition will allow the Group to benefit from economies of scale, which helps expand the operation of the Group and increase its revenue and profitability, and also extend its brand awareness and brand popularity in the middle and high-end womenswear industry.

In addition, the Acquisition will enable integration and optimization of resources and improve the overall competitiveness of the Group. The Acquisition will allow the Group to utilize the existing network and resources of the Target Group, such as the strong design and product development capabilities, effective branding and marketing channels and well-implemented retail management system. The Board is of the view that the Acquisition will create a cost synergy effect on the Group's business and help the Group to minimize procurement costs.

The middle and high-end womenswear market in the PRC is fast growing and has great potential. The Acquisition will allow the Group to seize the opportunity to expand its market share and enhance its leading market position.

Having considered that the Acquisition (i) is in line with the multi-brand development strategy of the Group; (ii) is expected to increase the revenue and profitability of the Group; (iii) will optimize the Group's resources and help achieve a cost synergy effect; and (iv) will allow the Group to expand its market share and enhance its leading market position, the Directors (including the independent non-executive Directors) are of the view that the terms and conditions of the Acquisition are fair and reasonable and on normal commercial terms and are in the interests of the Company and the Shareholders as a whole.

FINANCIAL EFFECT OF THE ACQUISITION

Upon the Completion, the Group will be interested in the entire issued shares of Keen Reach, and each member of the Target Group will become a subsidiary of the Company, whose results, assets and liabilities will be consolidated into the accounts of the Group. The Acquisition will not affect the earnings of the Group for the year ended 31 December 2018. The unaudited pro forma financial information of the Enlarged Group is set out in Appendix IV to this circular.

Based on the unaudited pro forma financial information of the Enlarged Group as set out in Appendix IV to this circular, the unaudited pro forma consolidated total assets of the Group as at 31 December 2018 would increase from approximately RMB1,754,975,000 to approximately RMB4,007,338,000 and the unaudited pro forma consolidated total liabilities of the Group as at 31 December 2018 would increase from approximately RMB515,864,000 to approximately RMB1,187,789,000, as a result of the Acquisition.

INFORMATION ON THE PARTIES TO THE ACQUISITION AGREEMENT

Information on the Group

The Company is incorporated in the Cayman Islands with limited liability and the Shares are listed on the Main Board of the Stock Exchange. The principal activities of the Group are design, promotion, marketing and sales of self-owned branded womenswear products in the PRC.

Information on the Vendor

Apex Noble is a company incorporated in the British Virgin Islands with limited liability and is principally engaged in investment holding.

INFORMATION ON THE TARGET GROUP

As at the Latest Practicable Date, the Target Group comprises Keen Reach, Extra Wisdom and the Operating Subsidiaries. As a result of the family allocation of interest in the Operating Subsidiaries to Mr. Jin Rui, as agreed between Mr. Jin Rui and Ms. Chen Lingmei for mother-child relationship, and for the establishment of the offshore shareholding structure, the total nominal transfer cost of the equity interests of the Operating Subsidiaries by Extra Wisdom was RMB35,024,000.

Keen Reach

Keen Reach is a company incorporated in the British Virgin Islands with limited liability and is principally engaged in investment holding. Keen Reach has a wholly-owned subsidiary, namely Extra Wisdom.

Extra Wisdom

Extra Wisdom is a company incorporated in Hong Kong with limited liability and is principally engaged in investment holding. Extra Wisdom holds the entire interest in the Operating Subsidiaries.

Shenzhen Aoruina

Shenzhen Aoruina is a company incorporated in the PRC with limited liability and is principally engaged in the design, retail and wholesale of high-end womenswear in the PRC. Shenzhen Aoruina has a wholly-owned subsidiary, namely Shenzhen Naersi.

Shenzhen Naersi

Shenzhen Naersi is a company incorporated in the PRC with limited liability and is principally engaged in the design, retail and wholesale of high-end womenswear products of its self-owned brands, namely "NAERSI", "NEXY.CO" and "NAERSILING".

FINANCIAL INFORMATION OF THE TARGET GROUP

Set out below is the key financial information of the Target Group based on its consolidated financial statements for the two years ended 31 December 2018 and 2017 as set out in Appendix II to this circular:

	For the year ended 31 December	
	2018	**2017**
	RMB million	*RMB million*
Profit before taxation	217	135
Profit after taxation	162	104
Net assets	334	224

LISTING RULES IMPLICATIONS

The Acquisition Agreement

The Vendor is directly legally owned as to 100% by Mr. Jin Rui, the brother of Mr. Jin Ming, the chairman, chief executive officer and an executive Director of the Company, and is therefore a connected person of the Company under the Listing Rules. The Acquisition from the Vendor constitutes a connected transaction of the Company under Chapter 14A of the Listing Rules. As the highest of the applicable percentage ratios in respect of the Acquisition exceeds 25% but is less than 100%, the Acquisition also constitutes a major transaction to the Company under Chapter 14 of the Listing Rules. As such, the Acquisition is subject to the applicable reporting, announcement and Independent Shareholders' approval requirements under Chapter 14A and Chapter 14 of the Listing Rules.

PROPOSED CHANGE OF COMPANY NAME

The Company proposes to change the name of the Company from "Koradior Holdings Limited (珂萊蒂爾控股有限公司)" to "EEKA Fashion Holdings Limited (贏家時尚控股有限公司)".

Conditions for the Proposed Change of Company Name

The Proposed Change of Company Name is subject to, among other things, the satisfaction of the following conditions:

(i) the passing of special resolutions by the Shareholders at the EGM approving the Proposed Change of Company Name and the relevant amendments to the Articles; and

(ii) the entry of the new name and dual foreign name of the Company on the register of companies maintained by the Registrar of Companies in the Cayman Islands in place of the existing name upon which the Proposed Change of Company Name shall become effective.

The Registrar of Companies in the Cayman Islands shall issue a certificate of incorporation on change of name thereafter. The Company will then carry out the necessary filing procedures in Hong Kong.

Reasons for the Proposed Change of Company Name

The Board considers that the Proposed Change of Company Name will better reflect the current business focus of the Group and its direction of future development. The Board believes that the new English and Chinese names of the Company will provide the Company with a more defined corporate image and identity which will benefit the Company's future business development. Therefore, the Board considers that the Proposed Change of Company Name is in the best interests of the Company and the Shareholders as a whole.

Effects of the Proposed Change of Company Name

The Proposed Change of Company Name will not affect any rights of the holders of securities of the Company or the Company's daily business operation and its financial position. All existing certificates of securities in issue bearing the present name of the Company shall, after the Proposed Change of Company Name becoming effective, continue to be evidence of title to such securities and the existing share certificates will continue to be valid for trading, settlement, registration and delivery purposes. There will not be any arrangement for exchange of the existing share certificates for new share certificates bearing the new name and new dual foreign name of the Company. Once the Proposed Change of Company Name becomes effective, new share certificates will be issued only in the new name and new dual foreign name of the Company.

The Company will make further announcements as and when appropriate on the results of the EGM, the effective date of the Proposed Change of Company Name and the new stock short name of the Company under which the Shares will be traded on the Stock Exchange.

PROPOSED AMENDMENTS TO THE ARTICLES

The Company proposes to make certain amendments to the Articles to reflect the Proposed Change of Company Name, with such amendments to take effect upon the effective date of the Proposed Change of Company Name.

At the EGM, a special resolution will be proposed for the Shareholders to consider and, if thought fit, approve the amendments to the Articles by replacing all references to "Koradior Holdings Limited(珂萊蒂爾控股有限公司)" with "EEKA Fashion Holdings Limited(贏家時尚控股有限公司)".

EGM AND INDEPENDENT BOARD COMMITTEE

The EGM will be convened by the Company at Portion 2, 12/F., The Centre, 99 Queen's Road Central, Central, Hong Kong at 3 p.m. on Wednesday, 22 May 2019 for the purposes of considering, and if thought fit, approving (i) the Acquisition Agreement and the transactions contemplated therein (including the allotment and issue of the Consideration Shares); (ii) the Proposed Change of Company Name and (iii) the Proposed Amendments to the Articles. As at the Latest Practicable Date, Mr. Jin Ming, holding 300,450,500 Shares, representing approximately 61.78% of the issued share capital of the Company, will abstain from voting on the proposed resolutions to approve the Acquisition Agreement and the transactions contemplated therein, including the allotment and issue of the Consideration Shares, at the EGM. To the best of the Directors' knowledge, information and belief, having made all reasonable enquiries, no other Shareholder has any material interest in the Acquisition Agreement and the transactions contemplated therein, including the allotment and issue of the Consideration Shares, and therefore no other Shareholder is required to abstain from voting at the EGM in respect of the resolutions approving the aforesaid matters.

Pursuant to Rule 13.39(6) of the Listing Rules, the Company has established the Independent Board Committee comprising all its independent non-executive Directors, namely Mr. Zhong Ming, Mr. Zhou Xiaoyu and Mr. Zhang Guodong to advise the Independent Shareholders on the fairness and reasonableness of the Acquisition Agreement and the transactions contemplated therein, including the allotment and issue of the Consideration Shares. None of the members of the Independent Board Committee has any interest or involvement in the transactions contemplated under the Acquisition Agreement.

Red Solar Capital Limited has been appointed as the independent financial adviser to advise the Independent Board Committee and the Independent Shareholders on the Acquisition Agreement and the transactions contemplated therein, including the allotment and issue of the Consideration Shares. The appointment of Red Solar Capital Limited as the Independent Financial Adviser has been approved by the Independent Board Committee.

The notice of EGM is set out on pages EGM-1 to EGM-3 of this circular. A proxy form for use at the EGM is enclosed herewith. Whether or not you are able to attend the EGM, you are requested to complete and return the accompanying form of proxy in accordance with the instructions printed thereon and deposit the same at the offices of the Company's branch share registrar in Hong Kong, Tricor Investor Services Limited, at Level 22, Hopewell Centre, 183 Queen's Road East, Hong Kong as soon as possible and in any event not less than 48 hours before the time fixed for the EGM. The completion and delivery of a form of proxy will not preclude you from attending and voting at the EGM in person.

RECOMMENDATION

Your attention is drawn to the letter of the Independent Board Committee set out on pages 20 to 21 of this circular. Your attention is also drawn to the letter of advice from the Independent Financial Adviser to the Independent Board Committee and the Independent Shareholders in respect of the Acquisition Agreement and the transactions contemplated therein, including the allotment and issue of the Consideration Shares, set out on pages 22 to 49 of this circular.

The Independent Board Committee, having taken into account the advice of the Independent Financial Adviser, considers that the Acquisition Agreement and the transactions contemplated therein, including the allotment and issue of the Consideration Shares, are entered into on normal commercial terms, are fair and reasonable so far as the Independent Shareholders are concerned and in the interests of the Company and the Shareholders as a whole. Accordingly the Independent Board Committee recommends the Independent Shareholders to vote in favour of the resolutions to be proposed for approving the Acquisition Agreement and the transactions contemplated therein, including the allotment and issue of the Consideration Shares, at the EGM.

The Board (including the members of the Independent Board Committee) considers that the Acquisition Agreement and the transactions contemplated therein, including the allotment and issue of the Consideration Shares, despite not being in the ordinary and usual course of business of the Company, are entered into on normal commercial terms, and are fair and reasonable so far as the Independent Shareholders are concerned and in the interests of the Company and the Shareholders as a whole. Accordingly, the Board recommends the Independent Shareholders to vote in favour of the relevant resolutions to be proposed as set out in the notice of the EGM.

In addition, the Board considers that the Proposed Change of Company Name and Proposed Amendments to the Articles are in the interests of the Company and the Shareholders as a whole. In view of the above, the Board recommends the Shareholders to vote in favour of the resolutions to be proposed at the EGM to approve the Proposed Change of Company Name and Proposed Amendments to the Articles.

ADDITIONAL INFORMATION

Your attention is also drawn to the additional information set out in the appendices to this circular.

By order of the Board
Koradior Holdings Limited
Jin Ming
Chairman, Chief Executive Officer and Executive Director

Koradior Holdings Limited
珂萊蒂爾控股有限公司

(Incorporated in the Cayman Islands with limited liability)

(Stock Code: 3709)

(1) MAJOR AND CONNECTED TRANSACTION RELATING TO ACQUISITION OF THE ENTIRE ISSUED SHARE CAPITAL OF KEEN REACH (2) PROPOSED CHANGE OF NAME AND (3) PROPOSED AMENDMENTS TO THE ARTICLES

29 April 2019

To the Independent Shareholders

Dear Sir or Madam,

We refer to the circular issued by the Company to the Shareholders dated 29 April 2019 (the "**Circular**") of which this letter forms part. Terms defined in the Circular shall have the same meanings when used in this letter unless the context otherwise requires.

We have been appointed as members of the Independent Board Committee to advise you as to whether the Acquisition Agreement and the transactions contemplated therein, including the allotment and issue of the Consideration Shares, are fair and reasonable so far as the Independent Shareholders are concerned and in the interests of the Company and its Shareholders as a whole.

Red Solar Capital Limited has also been appointed as the Independent Financial Adviser to advise the Independent Board Committee and the Independent Shareholders in respect thereof. We wish to draw your attention to the "Letter from the Board" and the "Letter from the Independent Financial Adviser" set out in the Circular.

Having considered the Acquisition Agreement and the transactions contemplated therein, including the allotment and issue of the Consideration Shares, and the principal factors and reasons considered by, and the advice of the Independent Financial Adviser set out in its letter of advice, we consider that the Acquisition Agreement and the transactions contemplated therein, including the allotment and issue of the Consideration Shares, despite not being in the ordinary and usual course of business of the Company, are entered into on normal commercial terms, and are fair and reasonable so far as the Independent Shareholders are concerned and in the interests of the Company and the Shareholders as a whole. Accordingly, we recommend the Independent Shareholders to vote in favour of the ordinary resolutions approving the Acquisition Agreement and the transactions contemplated therein, including the allotment and issue of the Consideration Shares, at the EGM.

Yours faithfully,
For and on behalf of
the Independent Board Committee of
Koradior Holdings Limited

Mr. Zhong Ming **Mr. Zhou Xiaoyu** **Mr. Zhang Guodong**
Independent non-executive Directors

The following is the full text of the letter of advice from Red Solar Capital Limited to the Independent Board Committee and the Independent Shareholders in respect of the Acquisition Agreement and the transactions contemplated thereunder for the purpose of inclusion in this Circular.

11/F., Kwong Fat Hong Building
No. 1 Rumsey Street, Sheung Wan
Hong Kong

29 April 2019

To: The Independent Board Committee and the Independent Shareholders of Koradior Holdings Limited

Dear Sirs,

MAJOR AND CONNECTED TRANSACTION RELATING TO THE ACQUISITION OF THE ENTIRE ISSUED SHARE CAPITAL OF KEEN REACH

INTRODUCTION

We refer to our engagement as the Independent Financial Adviser to advise the Independent Board Committee and the Independent Shareholders in respect of the Acquisition Agreement and the transactions contemplated thereunder, details of which are set out in the letter from the Board (the "**Letter from the Board**") contained in the circular of the Company dated 29 April 2019 (the "**Circular**"), of which this letter of advice forms part. Unless the context requires otherwise, capitalised terms used in this letter of advice shall have the same meanings as ascribed to them under the section headed "Definitions" in this Circular.

With reference to the announcement of the Company dated 25 March 2019, the Company and the Vendor entered into the Acquisition Agreement, pursuant to which the Company conditionally agreed to acquire and take an assignment of, and the Vendor conditionally agreed to dispose of the Sale Shares, representing the entire issued share capital of Keen Reach, and the Shareholder's Loan. The consideration of the Acquisition in the amount of HK$2,387,775,349 will be satisfied as to HK$500,000,000 in cash and as to HK$1,887,775,349 by the issue and allotment of 198,713,195 Consideration Shares at the Issue Price of HK$9.50 per Consideration Share. Upon completion of the Acquisition, the Company will hold 100% of the issued shares of Keen Reach.

With reference to the Letter from the Board, the Consideration Shares represent approximately 40.86% of the existing issued share capital of the Company as at the Latest Practicable Date; or approximately 29.01% of the enlarged issued share capital of the Company immediately upon Completion (assuming that there will not be any change in the issued share capital of the Company from the Latest Practicable Date up to the Completion Date).

Further from the Letter from the Board, the Vendor is directly legally owned as to 100% by Mr. Jin Rui, the brother of Mr. Jin Ming, the chairman, chief executive officer and an executive Director of the Company, and is therefore a connected person of the Company under the Listing Rules. The Acquisition from the Vendor constitutes a connected transaction of the Company under Chapter 14A of the Listing Rules. As the highest of the applicable percentage ratios in respect of the Acquisition exceeds 25% but is less than 100%, the Acquisition also constitutes a major transaction to the Company under Chapter 14 of the Listing Rules. As such, the Acquisition is subject to the applicable reporting, announcement and Independent Shareholders' approval requirements under Chapter 14A and Chapter 14 of the Listing Rules.

The Independent Board Committee, comprising Mr. Zhong Ming, Mr. Zhou Xiaoyu and Mr. Zhang Guodong, all being the independent non-executive Directors, has been established to advise the Independent Shareholders as to whether the Acquisition Agreement and the transactions contemplated therein, including the allotment and issue of the Consideration Shares, are entered into in the ordinary and usual course of business of the Group, on normal commercial terms, are fair and reasonable so far as the Independent Shareholders are concerned and in the interests of the Company and the Shareholders as a whole, and how the Independent Shareholders should vote in respect of the resolution(s) to approve the Acquisition Agreement and the transactions contemplated therein, including the allotment and issue of the Consideration Shares, at the EGM.

As at the Latest Practicable Date, apart from the existing engagement in connection with the Acquisition Agreement and the transactions contemplated thereunder, we did not have any business relationship with the Company within the past two years. Save for the normal fees payable to us in connection with this appointment, no arrangement exists whereby we shall receive any fees or benefits from the Company and its subsidiaries or the Directors, chief executive or substantial shareholders of the Company or any of their associates (as defined in the Listing Rules). We consider ourselves independent to form our opinion in respect of the Acquisition Agreement and the transactions contemplated thereunder.

BASIS OF OUR OPINION

In formulating our opinion and recommendation, we have relied on the information and facts supplied, opinions expressed and representations made to us by the management of the Group (including but not limited to those contained or referred to in the Announcement and this Circular). We have assumed that the information and facts supplied, opinions expressed and representations made to us by the management of the Group were true, accurate and complete at the time they were made and continue to be true, accurate and complete in all material aspects until the date of this Circular. We have also assumed that all statements of belief, opinions, expectation and intention made by the management of the Company in this Circular were reasonably made after due enquiry and careful consideration. We have no reason to suspect that any material facts or information have been withheld or to doubt the truth, accuracy and completeness of the information and facts contained in this Circular, or the reasonableness of the opinions expressed by the Company, its management and/or advisers, which have been provided to us.

The Directors collectively and individually accepted full responsibility for the accuracy of the information contained in this Circular and have confirmed, having made all reasonable enquiries, which to the best of their knowledge and belief, that the information contained in this Circular is accurate and complete in all material respects and not misleading or deceptive, and there are no other matters the omission of which would make any statement in this Circular or this Circular misleading. We, as the Independent Financial Adviser, take no responsibility for the contents of any part of this Circular, save and except for this letter of advice.

We consider that we have been provided with sufficient information to reach an informed view and to provide a reasonable basis for our opinion. We have not, however, conducted any independent in-depth investigation into the business and affairs or future prospects of the Group and the Vendor, or their respective shareholders, subsidiaries or associates, nor have we considered the taxation implication on the Group or the Shareholders as a result of the Acquisition Agreement and the transactions contemplated thereunder. Our opinion is necessarily based on the market, financial, economic and other conditions in effect and the information made available to us as at the Latest Practicable Date. Any subsequent developments may affect and/or change our opinion and we have no obligation to update this opinion to take into account events occurring after the Latest Practicable Date or to update, revise or reaffirm our opinion. Nothing contained in this letter of advice should be construed as a recommendation to hold, sell or buy any Shares or any other securities of the Company.

Where information in this letter of advice has been extracted from published or otherwise publicly available sources, we have ensured that such information has been correctly extracted from the relevant sources while we are not obligated to conduct any independent in-depth investigation into the accuracy and completeness of such information.

PRINCIPAL FACTORS AND REASONS CONSIDERED

In arriving our opinion in respect of the Acquisition Agreement and the transactions contemplated therein, including the allotment and issue of the Consideration Shares, we have considered the following principal factors and reasons:

1. Background of and reasons for the Acquisition

(a) Background information of the Group

The Company is incorporated in the Cayman Islands with limited liability and the Shares are listed on the Main Board of the Stock Exchange. As stated in the Announcement, the Group engages in the design, retail and wholesale of womenswear products of the Group's self-owned brands, namely ''Koradior'', ''La Koradior'', ''Koradior elsewhere'' and ''De Kora'' which target affluent ladies between the ages of 30 and 45 in the PRC. In addition, the Group entered into an exclusive distribution and marketing agreement for a term of five years in 2017 in relation to products under the brands ''Obzee'' and ''O'2nd'' which cover a wide range of high-quality womenswear which target affluent ladies between the ages of 25 to 50. The long-term objective of the Group is to be the top player of the high-end womenswear industry in the PRC.

(b) Financial performance and financial position of the Group

The following is a summary of the key financial information of the Group for each of the two years ended 31 December 2018 as extracted from the consolidated statement of profit or loss and other comprehensive income and the consolidated statement of the financial position of the annual report of the Company for the year ended 31 December 2018 (the "**2018 Annual Report**"):

	For the year ended 31 December	
	2018	**2017**
	RMB'000	*RMB'000*
	(audited)	(audited)
Revenue	2,520,906	2,203,726
Gross Profit	1,802,960	1,561,023
Net Profit	272,314	242,583

	As at 31 December	
	2018	**2017**
	RMB'000	*RMB'000*
	(audited)	(audited)
Cash and cash equivalents	613,376	517,070
Total assets	1,754,975	1,604,887
Total liabilities	515,864	492,232
Net assets attributable to owners of the Company	1,218,725	1,091,824

As depicted by the above table, the revenue, gross profit and net profit of the Group for the year ended 31 December 2018 amounted to RMB2,520.9 million, RMB1,803.0 million and RMB272.3 million respectively, representing an increase of 14.4%, 15.5% and 12.3% to the revenue, gross profit and net profit of the Group for the year ended 31 December 2017 respectively. With reference to the 2018 Annual Report, the increase in revenue of the Group for the year ended 31 December 2018 was mainly attributable to the increase in revenue contribution from self-operated retail stores of the Group. For the year ended 31 December 2018, there were 641 self-operated retail stores generating revenue of RMB2,044.0 million in aggregate, which accounted for 81.1% of total revenue of the Group, representing an increase of 10.9% as compared to that for the year ended 31 December 2017. Further from the 2018 Annual Report, the revenue of the Group contributed by 221 retail stores operated by distributors amounted to RMB257.4 million for the year ended 31 December 2018, an increase of RMB62.3 million or 32.0% compared to that for the year ended 31 December 2017. For the year ended 31 December 2018, there were 74 new retail stores operated by distributors.

As at 31 December 2018, the Group had cash and cash equivalents of RMB613.4 million representing an increase of 18.6% as compared to that as at 31 December 2017 due to increase of long term bank borrowings. Also, the Group had total assets, total liabilities and net assets attributable to owners of the Company of RMB1,755.0 million, RMB515.9 million and RMB1,218.7 million respectively, representing an increase of 9.4%,4.8% and 11.6% respectively as compared to those for the year ended 31 December 2017.

(c) Background information of the Vendor

With reference to the Letter from the Board, Apex Noble is a company incorporated in the British Virgin Islands with limited liability and is principally engaged in investment holding.

As at the Latest Practicable Date, the Vendor is directly legally owned as to 100% by Mr. Jin Rui, the brother of Mr. Jin Ming, the chairman, chief executive officer and an executive Director of the Company, and is therefore a connected person of the Company under the Listing Rules.

(d) Background information of the Target Group

Keen Reach

With reference to the Letter from the Board, Keen Reach is a company incorporated in the British Virgin Islands with limited liability and is principally engaged in investment holding. Keen Reach has a wholly-owned subsidiary, namely Extra Wisdom.

Extra Wisdom

With reference to the Letter from the Board, Extra Wisdom is a company incorporated in Hong Kong with limited liability and is principally engaged in investment holding. Extra Wisdom holds the entire interest in the Operating Subsidiaries.

Shenzhen Aoruina

With reference to the Letter from the Board, Shenzhen Aoruina is a company incorporated in the PRC with limited liability and is principally engaged in the design, retail and wholesale of high-end womenswear in the PRC. Shenzhen Aoruina has a wholly-owned subsidiary, namely Shenzhen Naersi.

Shenzhen Naersi

With reference to the Letter from the Board, Shenzhen Naersi is a company incorporated in the PRC with limited liability and is principally engaged in the design, retail and wholesale of high-end womenswear products of its self-owned brands, namely "NAERSI", "NEXY.CO" and "NAERSILING".

(e) Financial performance of the Target Group

The following is a summary of the key financial information of the Target Group for each of the two years ended 31 December 2018 as extracted from the statement of profit or loss and other comprehensive income of the Target Group, details of which are set out in Appendix II of this Circular:

	For the year ended 31 December	
	2018	**2017**
	RMB'000	*RMB'000*
	(audited)	(audited)
Revenue	2,017,105	1,723,307
Gross Profit	1,427,410	1,171,245
Net Profit	162,265	103,871

With reference to the management discussion and analysis ("**MD&A**") of the Target Group as set out in Appendix III of this Circular, the Target Group's revenue is generated primarily from (a) retail sales to end customers in its self-operated retail stores; (b) sales on third party e-commerce platforms; (c) wholesales to distributors, who in turn sell its products to end customers through the retail stores operated by them; and (d) other sales which were mainly derived from staff sales or direct sales through promotional activities outside its retail stores.

As illustrated in the above table, the revenue of the Target Group amounted to RMB1,723.3 million and RMB2,017.1 million for each of the two years ended 31 December 2017 and 2018 respectively, representing an increase of 17.1%. According to the MD&A of the Target Group, total revenue from e-commerce increased by 133% from RMB58 million for the year ended 31 December 2017 to RMB135 million for the year ended 31 December 2018, primarily due to an increase in sales of the Target Group's products through online retail stores, which was driven by an increase in expenditure on advertising and promotion through e-commerce platforms and search engines in the PRC as well as, their effort in developing their online retail stores through expanding their e-commerce team and establishing a business division dedicated to the e-commerce business. Total revenue from distributors increased 66% from RMB76 million for the year ended 31 December 2017 to RMB126 million for the year ended 31 December 2018. The increase in total revenue of the Target Group for the year ended 31 December 2018 resulted in the increase in gross profit and net profit of the Target Group from RMB1,171.2 million to RMB1,427.4 million and from RMB103.9 million to RMB162.3 million respectively.

(f) Financial position of the Target Group

The following is a summary of the key financial information of the Target Group as extracted from the statement of financial position of the Target Group as at 31 December 2017 and 2018, details of which are set out in the Appendix II of this Circular:

	As at 31 December	
	2018	**2017**
	RMB'000	*RMB'000*
Total non-current assets	59,440	53,731
Total current assets	798,491	620,341
Total assets	857,931	647,072
Total current liabilities	524,300	450,190
Total equity	333,631	223,882

As shown in the above table, the total assets of the Target Group amounted to RMB647.1 million and RMB857.9 million as at 31 December 2017 and 2018 respectively, representing an increase of 27.3%. The total assets of the Target Group as at 31 December 2018 was mainly comprised of inventories for RMB325.1 million, trade and bills receivables for RMB260.7 million and cash and cash equivalents for RMB158.1 million.

Further from the above table, the total current liabilities of the Target Group amounted to RMB450.2 million and RMB524.3 million as at 31 December 2017 and 2018 respectively, representing an increase of 16.5%. The total current liabilities of the Target Group as at 31 December 2018, was mainly comprised of other payables and accruals for RMB246.3 million and interest-bearing bank and other borrowing for RMB139.7 million. The Target Group did not have any non-current liabilities as at 31 December 2017 and 2018. The net assets of the Target Group were RMB333.6 million as at 31 December 2018.

(g) Reasons for and benefits of the Acquisition

As mentioned in the above sub-section headed ''Background information of the Target Group'', the Operating Subsidiaries are principally engaged in the design, retail and wholesale of high-end womenswear products with self-owned brands, namely "NAERSI", "NEXY.CO" and "NAERSILING" in the PRC. The management of the Company advised, the Target Group operated 641 retail stores for the year ended 31 December 2018. Meanwhile, it is mentioned in the Letter from the Board that, the Group has a multi-brand development strategy, and it is also the Group's strategy to grow its business and sales network predominantly through expanding the number of self-owned retail stores according to the 2018 Annual Report. As such, the Acquisition is in line with the Group's strategies for development and expansion, and we concur with the Directors that the Acquisition will further diversify the brands of the Group while enlarging the Group's distribution network.

With reference to the Announcement, the design, retail and wholesale of womenswear products is the core business of the Group, while the Target Group operates in the same industry with the Group, the Directors therefore believe that the Acquisition will create a synergy effect on the Group's business and allow the Group to benefit from the economies of scale by integration and optimization of resources of both the Group and the Target Group such as the strong design and product development capabilities, effective branding and marketing channels and well-implemented retail management system in order to save financial costs. On the other hand, the Directors believe that the Acquisition will also enable the Group to have stronger bargaining powers in its prospective negotiations with suppliers for raw materials with more competitive prices for potentially larger purchase volume, and thereby enhancing the competitiveness of the Group in the womenswear industry in the PRC.

With reference to the 2018 Annual Report, the total retail sales of consumer goods in China reached RMB38.1 trillion in 2018, representing an increase of 9.0% over the previous year. According to data released by the Qianzhan Industry Institute (前瞻產業研究院), the foreign consumption of luxury goods increased by 4% year-on-year in 2018, while domestic consumption increased by 17% year-on-year, the recovery in the domestic high-end consumer market accelerated, and the growth rate was much higher than that of foreign consumption. In view of the high-end consumer market in the PRC is ever expanding, the Acquisition will facilitate the Group to seize the opportunity to gain market share and consolidate its market position to pursue its long-term objective to be the top player of the high-end womenswear industry in the PRC.

With reference to the above sub-section headed "Financial performance and financial position of the Group", the Group recorded net profit amounted to RMB242.6 million and RMB272.3 million for the two years ended 31 December 2018 respectively. On the other hand, with reference to the above sub-section headed "Financial performance of the Target Group", the Target Group recorded net profit amounted to RMB103.9 million and RMB162.3 million for the two years ended 31 December 2018 respectively. Therefore, the Acquisition represents an investment opportunity in a profit-making business and enhance the Group's overall profitability. Accordingly, in view of the cash position of the Group and in order to seize the aforesaid benefits to the Group, the issue of Consideration Shares for the Acquisition is commercially justifiable (the fairness and reasonableness of the Issue Price and the Total Consideration will be discussed in the section headed "Evaluation of the Issue Price and the Total Consideration" below).

Having considered that (i) the Acquisition is in line with the Group's strategies for development and expansion; (ii) the Acquisition will create a cost synergy effect on the Group's business and allow the Group to benefit from economies of scale; (iii) the Acquisition will facilitate the Group to seize the opportunity to gain market share and consolidate its market position; and (iv) the Acquisition represents an investment opportunity in a profit-making business and enhance the Group's overall profitability, we concur with the Directors that, despite the Acquisition is not in the ordinary and usual course of business of the Group, it is fair and reasonable and in the interests of the Company and the Shareholders as a whole.

2. Principal terms of Acquisition Agreement

The principal terms of the Acquisition Agreement are set out below:

(a) The Acquisition

The Company has conditionally agreed to acquire and take an assignment of, and the Vendor has conditionally agreed to dispose of the Sale Shares, representing the entire issued share capital of Keen Reach, and the Shareholder's Loan, subject to the terms and conditions of the Acquisition Agreement.

As at the Latest Practicable Date, the Target Group is a wholly-owned subsidiary of the Vendor, which is in turn directly legally owned as to 100% by Mr. Jin Rui, the brother of Mr. Jin Ming, the chairman, chief executive officer and an executive Director of the Company, and is therefore a connected person of the Company under the Listing Rules. The Target Group is principally engaged in the design, manufacturing and sale of high-end womenswear in the PRC. Immediately upon Completion, the Target Group will be wholly owned by the Company.

(b) The Consideration and Payment Terms

Pursuant to the Acquisition Agreement, the Total Consideration of HK$2,387,775,349 shall be satisfied by the Company in the following manner:

(i) HK$500,000,000, being 20.94% of the Total Consideration, shall be payable by the Company to the Vendor by way of telegraphic transfer according to the payment instructions given by the Vendor in writing within three (3) years after the Completion Date; and

(ii) the balance thereof by the issue and allotment of the Consideration Shares of 198,713,195 new Shares at the Issue Price of HK$9.50 to the Vendor (or such other person(s) as may be directed by the Vendor in writing) within seven business days from the Completion Date. Based on the closing price of the Shares of HK$9.30 per Share as quoted on the Stock Exchange on 25 March 2019, being the date of the Acquisition Agreement, the market value of the Consideration Shares was approximately HK$1,848,032,714.

Based on our discussion with the Directors, we understand that the Company has considered debt financing to fund the Total Consideration over equity financing through issuing the Consideration Shares. Debt financing was considered by the Directors to be impracticable for the Group as the Group does not have enough assets as pledged securities for bank borrowings. With reference to the 2018 Annual Report, property, plant and equipment of the Group amounted to RMB155.4 million and trade receivables of the Group amounted to RMB304.1 million. In view of the balance of the Total Consideration save as the cash settlement of HK$500,000,000 amounted to HK$1,887,775,349, therefore, we concur with the Directors that the issuance of the Consideration Shares as the settlement method for the Acquisition is fair and reasonable.

The Consideration Shares, upon issue, shall rank *pari passu* in all respects with the existing Shares save that the Consideration Shares will not rank for any dividend or other distribution of the Company declared by reference to a record date prior to the issue date of the Consideration Shares. The allotment and issue of the Consideration Shares will not result in a change of control of the Company. For further details on the effect of the Acquisition on the shareholding structure of the Company, please refer to the section headed "Effect on the shareholding structure of the Company" below.

With reference to the 2018 Annual Report, the Group's cash and cash equivalents amounted to RMB613.4 million as at 31 December 2018. Thus, the Group has enough internal resources to settle the consideration of the Acquisition. As advised by the Directors, the Company will carry out equity and/or debt financing through suitable financing channels and methods in order to supplement the financial resources and to strengthen the capital base of the Company as and when such need arises.

As stated in the Letter from the Board and advised by the Directors, the Total Consideration for the Acquisition was arrived at after arm's length negotiations between the Company and the Vendor and was determined after having taken into account various relevant factors including:

(i) the valuation of Keen Reach of RMB2,281,652,000 as at 31 December 2018 (which is based on market approach) (the "**Valuation**") based on a valuation report (the "**Valuation Report**") issued by AVISTA Valuation Advisory Limited (the "**Valuer**"), an independent professional valuer appointed by the Company, the details of which are set out in Appendix V – Valuation Report of Keen Reach of this Circular;

(ii) the historic financial position and performance and the future prospects of the Operating Subsidiaries;

(iii) the competitive landscape and economic outlook of the womenswear industry in the PRC;

(iv) the benefits to be derived by the Group from the Acquisition including the synergy effect as described herein above; and

(v) the Shareholder's Loan.

(c) The Issue Price

It is stated in the Letter from the Board that the Issue Price of HK$9.50 per Share was arrived at after arm's length negotiation between the Company and the Vendor with reference to, among others, the recent trading prices of the Shares, the financial performance of the Group and the current market conditions.

(d) Conditions Precedent

Completion of the Acquisition Agreement is conditional upon satisfaction (or, if applicable, the waiver) of, among others, (i) the passing by Independent Shareholders at the EGM by poll of an ordinary resolution to approve: (1) the Acquisition contemplated under the Acquisition Agreement and the Shareholder's Loan Assignment as required by the Listing Rules; and (2) the allotment and issue of the Consideration Shares to the Vendor (or such other person(s) as may be directed by the Vendor in writing) under the Acquisition Agreement; and (ii) the Listing Committee of the Stock Exchange granting the listing of, and permission to deal in, the Consideration Shares. None of the two conditions precedent set out above may be waived by any party to the Acquisition Agreement.

If the above conditions are not fulfilled on or before the Longstop Date (unless otherwise agreed to be extended by the parties to the Acquisition Agreement), the Acquisition Agreement shall terminate and neither party shall have any liability thereunder save for any antecedent breach of the terms of the Acquisition Agreement. As at the Latest Practicable Date, condition (iii) the obtaining of all necessary consents, authorisations or other approvals of any kind by the Vendor, Keen Reach and the Company in connection with the Acquisition Agreement and the Shareholder's Loan Assignment; and (iv) the Company having conducted and completed due diligence on all business, legal and financial matters, and all such other matters as deems necessary by the Company in its absolute discretion in relation to the Target Group, and the Company being satisfied with the results of such due diligence in its absolute discretion, of the Acquisition Agreement have been satisfied. Please refer to the section headed "Conditions Precedent" in the Letter from the Board for further details of the conditions precedent to the Acquisition.

(e) Completion

Upon compliance with or fulfilment or waiver of all the conditions precedent, Completion shall take place on the Completion Date. It is agreed between the parties that, upon Completion, the Company together with its wholly-owned subsidiary, Keen Reach, shall be entitled to all the net profits or losses (as the case may be) of Extra Wisdom and any dividends, bonus shares and warrants etc., declared and distributed by Extra Wisdom for the period from the Completion Date onwards.

An application will be made by the Company to the Stock Exchange for the listing of, and permission to deal in, the Consideration Shares.

Following Completion, Keen Reach will become a wholly-owned subsidiary of the Company and the financial results of the Target Group will be consolidated into the financial statements of the Group.

Please refer to the section headed "The Acquisition Agreement" in the Letter from the Board for more details of the principal terms of the Acquisition.

3. Evaluation of the Issue Price and the Total Consideration

(a) Evaluation of the Issue Price

Historical price performance of the Shares

The Issue Price of HK$9.50 of the Consideration Shares represents:

(i) a premium of approximately 1.28% to the closing price of the Shares of HK$9.38 per Share as quoted on the Stock Exchange prior to the date of the Announcement (the "**Last Trading Day**");

(ii) a premium of approximately 3.55% to the average closing price of the Shares of HK$9.174 per Share for the last five trading days up to and including the Last Trading Day;

(iii) a premium of approximately 2.40% to the average closing price of the Shares of HK$9.277 per Share for the last ten trading days up to and including the Last Trading Day;

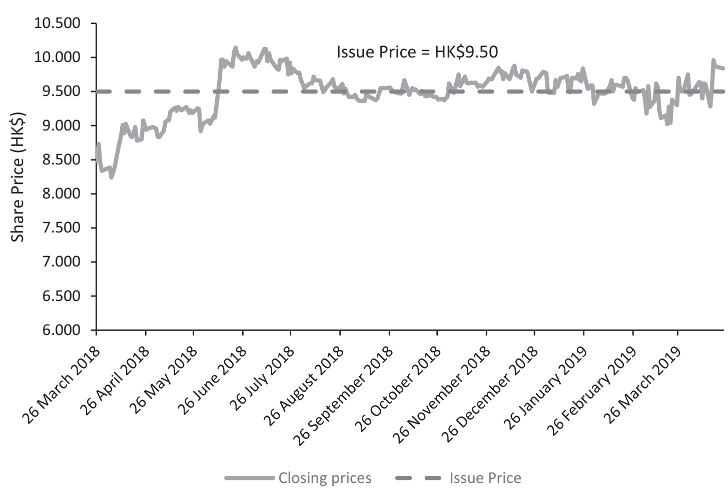
(iv) a premium of approximately 0.63% to the average closing price of the Shares of HK$9.441 per Share for the last 30 trading days up to and including the Last Trading Day;

(v) a discount of approximately 3.46% to the closing price of the Shares of HK$9.84 per Share as quoted on the Stock Exchange on the Latest Practicable Date; and

(vi) a premium of approximately 226.46% to the audited net asset value attributable to owners of the Group of approximately HK$2.91 per Share as at 31 December 2018.

We note that the Issue Price represents (i) a premium to the closing price of the Shares as quoted on the Stock Exchange on the Last Trading Day; (ii) a premium to the average closing price of the Shares for the last five, ten and 30 days up to and including the Last Trading Day; (iii) a discount to the closing price of the Shares as quoted on the Stock Exchange on the Latest Practicable Date; and (iv) a premium to the audited net asset value attributable to owners of the Group as at 31 December 2018.

Set out below is a chart reflecting movements in the closing prices of the Shares as quoted on the Stock Exchange from 26 March 2018 (being one year prior to the Last Trading Day) up to and including the Latest Practicable Date (the "**Review Period**"), which represented a sufficient period of time to provide a general overview on the recent market performance of the Shares:



Source: Website of the Stock Exchange

From the chart above, the closing prices of the Shares ranged between HK$8.239 to HK$10.143 per Share during the Review Period (the "**Historical Price Range**"), with an average of approximately HK$9.493 per Share. The Issue Price of HK$9.50 falls within the Historical Price Range and approximates to the average closing price of the Shares during the Review Period.

Comparison with recent issue of consideration shares to connected person

In addition to the previous analysis, in order to assess the fairness and reasonableness of the Issue Price, we have also conducted a comparable analysis by comparing the Issue Price against recent issues of consideration shares to connected person (the "**Comparable Issues**"). We have researched and identified Comparable Issues based on the criteria that (i) consideration shares are issued by companies listed on the Main Board of the Stock Exchange (excluding companies under prolonged suspension or debt restructuring) which announced issues of new shares (excluding the issue of A shares) as acquisition consideration to connected person(s) during the Review Period; (ii) the consideration shares are not issued by H-share companies whose share capital structure is different from that of the Company; and (iii) the issue of consideration shares are not undertaking a reverse takeover. Based on such criteria, we have identified 18 Comparable Issues. We determine the length of our Review Period based on two major factors: (i) the Review Period has to be close to the date of the Acquisition Agreement such that the Comparable Issues are under similar and recent market conditions and sentiment; and (ii) the number of samples covered in the Review Period has to be sufficient such that the average figures calculated are representative and not significantly affected by any individual comparable. We are of the view that 18 Comparable Issues covered in the Review Period are reasonable as they provide more than a few numbers of samples which would be reflective to the market conditions for the comparison. To the best of our knowledge, effort and endeavor and based on our research conducted according to the aforesaid criteria, the list of Comparable Issues below is an exhaustive list of issues of consideration shares meeting the aforesaid criteria.

				Premium/(Discount) of the issue price (to)/over the average closing price per share for the		
Company Name	Stock Code	Date of announcement	Premium/(Discount) of the issue price (to)/over the closing price per share on the last trading days prior to/on the date of the announcement/agreement in relation to the respective issue of consideration share (%)	last five trading days prior to/on the date of the announcement/agreement in relation to the respective issue of consideration share (%)	last ten trading days prior to/on the date of the announcement/agreement in relation to the respective issue of consideration share (%)	last 30 trading days prior to/on the date of the announcement/agreement in relation to the respective issue of consideration share (%)
Lisi Group (Holdings) Limited	526	3 March 2019	14.90	17.90	15.90	12.30
Huajun International Group Limited	377	19 February 2019	17.85	17.61	15.92	13.57

Company Name	Stock Code	Date of announcement	Premium/(Discount) of the issue price (to)/over the closing price per share on the last trading days prior to/on the date of the announcement/agreement in relation to the respective issue of consideration share (%)	Premium/(Discount) of the issue price (to)/over the average closing price per share for the last five trading days prior to/on the date of the announcement/agreement in relation to the respective issue of consideration share (%)	Premium/(Discount) of the issue price (to)/over the average closing price per share for the last ten trading days prior to/on the date of the announcement/agreement in relation to the respective issue of consideration share (%)	Premium/(Discount) of the issue price (to)/over the average closing price per share for the last 30 trading days prior to/on the date of the announcement/agreement in relation to the respective issue of consideration share (%)
New City Development Group Limited	456	18 February 2019	1.00	0.00	(4.00)	(8.94)
Minshang Creative Technology Holdings Limited	1632	31 December 2018	(17.29)	(11.58)	(11.96)	(25.08)
China Shengmu Organic Milk Limited	1432	21 December 2018	10.00	(0.60)	(0.90)	1.02
Huajun International Group Limited	377	6 December 2018	(2.71)	0.00	(1.67)	(21.34)
OneForce Holdings Limited	1933	29 November 2018	21.43	21.86	22.08	28.99
Shougang Concord International Enterprise Company Limited	697	1 November 2018	42.05	45.86	46.11	38.73
Sheng Yuan Holdings Limited	851	25 October 2018	45.60	45.49	46.30	42.90
China Sandi Holdings Limited	910	21 September 2018	(9.50)	(9.80)	(9.70)	(8.65)
Birmingham Sports Holdings Limited	2309	28 August 2018	(6.20)	(7.90)	(10.84)	(15.85)
Tongda Group Holdings Limited	698	28 August 2018	30.08	22.89	21.67	7.82
China Literature Limited	772	13 August 2018	19.40	19.49	21.08	13.68
International Elite Ltd.	1328	30 July 2018	(33.30)	(23.00)	(18.80)	(12.90)
China Baoli Technologies Holdings Limited	164	9 July 2018	(22.58)	(15.00)	(18.39)	(27.93)
Jiayuan International Group Limited	2768	5 June 2018	(3.54)	(5.79)	(7.49)	(5.43)
China Grand Pharmaceutical and Healthcare Holdings Limited	512	24 May 2018	(33.80)	(33.00)	(31.28)	(25.07)
Inspur International Limited	596	9 May 2018	(2.93)	(2.21)	(0.75)	2.89
Average			**3.91**	**4.57**	**4.07**	**0.60**
Minimum			**(33.80)**	**(33.00)**	**(31.28)**	**(27.93)**
Maximum			**45.60**	**45.86**	**46.30**	**42.90**
Consideration Shares			**1.28**	**3.55**	**2.40**	**0.63**

Source: Website of the Stock Exchange

As illustrated in the table above, the issue prices of the Comparable Issues ranged from (i) a discount of approximately 33.80% to a premium of approximately 45.60% to the respective closing prices of their shares on their respective last trading day(s) ("**Last Trading Day(s) Price**") prior to/on date of the release of the relevant announcement(s) in relation to such issue or the relevant agreement date(s) relating to the respective issue, with an average premium of approximately 3.91%; (ii) a discount of approximately 33.00% to a premium of approximately 45.86% to the respective average closing prices of their shares over the last five consecutive trading days up to and including their respective last trading day (the "**Five-day Average Price**"), with an average premium of approximately 4.57%; (iii) a discount of approximately 31.28% to a premium of approximately 46.30% to the respective average closing prices of their shares over the last ten consecutive trading days up to and including their respective last trading day (the "**Ten-day Average Price**"), with an average premium of approximately 4.07%; and (iv) a discount of approximately 27.93% to a premium of approximately 42.90% to the respective average closing prices of their shares over the last 30 consecutive trading days up to and including their respective last trading day (the "**30-day Average Price**"), with an average premium of approximately 0.60%.

The Issue Price represents a premium of (i) approximately 1.28% to the closing price of the Shares on the Last Trading Day; (ii) approximately 3.55% to the average closing price of the Shares for the last five consecutive trading days; (iii) approximately 2.40% to the average closing price of the Shares for the last ten consecutive trading days; and (iv) approximately 0.63% to the average closing price of the Shares for the last 30 consecutive trading days. While the Issue Price represents a premium which is less than the average premium of the Last Trading Days Price, the Five-day Average Price and the Ten-day Average Price, the premium of the Issue Price is close to the average premium of the Comparable Issues for the respective prevailing periods. On the other hand, the premium of the Issue Price is slightly more than the average premium of the 30-day Average Price, and is within the ranges of discount to premium for all of the respective prevailing periods of the Comparable Issues.

Having considered that, despite the Issue Price represents a discount to the closing price of the Shares on the Latest Practicable Date, it represents (i) a premium to the closing price of the Shares on the Last Trading Day; (ii) a premium to the average closing price of the Shares for the last five, ten and 30 days up to and including the Last Trading Day; (iii) a premium to the audited net asset value attributable to owners of the Group as at 31 December 2018; (iv) falls within the Historical Price Range and approximates to the average closing price of the Shares during the Review Period; and the premium of the Issue Price is close to the average premium of the Comparable Issues for the respective prevailing periods and is generally in line with the market, we are of the view that the Issue Price is on normal commercial terms, fair and reasonable so far as the Independent Shareholders are concerned and in the interests of the Company and the Shareholders as a whole.

(b) Evaluation of the Total Consideration

With reference to the Letter from the Board, the Total Consideration of HK$2,387,775,349 was determined after arm's length negotiations between the Company and the Vendor after having taken into account, among others, the valuation of Keen Reach based on the Valuation Report issued by the Valuer.

According to the Valuation Report, the equity value of the Target Group as at 31 December 2018 was approximately RMB2,281,652,000 (equivalent to approximately HK$2,653,083,721) based on the market approach adopted by the Valuer. We noted that the Total Consideration represented a discount of approximately 10% to the Valuation.

For our due diligence purpose, we have reviewed (i) the terms of the engagement of the Valuer; (ii) the Valuer's qualification and experience in relation to the preparation of the Valuation Report; and (iii) the due diligence measures adopted by the Valuer for conducting the valuation of the Target Group.

Valuer

Based on the engagement letter of the Valuer, we noted that the purpose of the engagement is to conduct a business valuation in connection with the 100% equity interest of Keen Reach as of 31 December 2018 and provide with the Company the Valuation Report. The engagement letter also contains standard valuation scopes that are typical of business valuation carried out by independent business valuers. There is no limitation of the scope of work which might have an adverse impact on the degree of assurance given by the Valuer in the Valuation Report. We also understand from the Valuer that the Valuer has obtained sufficient information to reach a view of the valuation of the equity value of the Target Group as of 31 December 2018.

We have conducted an interview with the Valuer regarding their experience in valuing equity interests in the PRC, and their independence. Based on our interview with the Valuer, we understand that the Valuer is an established professional valuer performing full range of valuation and financial advisory services. The Valuer has completed a number of assignments acting for Hong Kong listed companies with equity interests in, among others, the PRC. We also understand that each of the four principal valuers, a managing director, a director, a manager and an analyst, of the Valuer's valuation team has over 15, eight, five and two years of experiences respectively in valuation. The managing director is a member of CFA Institute, fellow member of the Hong Kong Institute of Certified Public Accountants and CPA Australia and a member of Royal Institution of Chartered Surveyors, and the director is a member of CFA Institute and a fellow member of the Hong Kong Institute of Certified Public Accountants. Based on the above, we are of the view that the Valuer is qualified and competent to conduct the valuation of the Target Group. The Valuer has also confirmed that they have no prior relationships with the Group, the Vendor, the Target Group or any other parties to the Acquisition.

Valuation Methodology

Based on our review of the Valuation Report and discussion with the Valuer, we note that the Valuer has considered the income approach, market approach and cost approach for the valuation of the Target Group. With reference to the sub-section headed "Selected Valuation Approach" under the section headed "VALUATION APPROACH" of the Valuation Report as set out in Appendix V to this Circular, the Valuer considered (i) cost approach is not appropriate in the appraisal of the Target Group as it fails to consider the economic benefits of ownership of the business. The consolidated net book value of the Target Group as of 31 December 2018 may not truly reflect the value of its equity interest, as part of value will be attributed to future benefit of the Target Group, deriving from the apparel retail related business; and (ii) income approach is also inappropriate as plenty of assumptions were involved in formulating the financial projections of the Target Group, and the assumptions might not be able to reflect the uncertainties in the future performance of the Target Group. The Valuer is of the opinion that fair value arrived from market approach reflects the market expectations over the corresponding industry as the price multiples of the comparable companies were arrived from market consensus. Since there are sufficient public companies in similar nature and business to that of the Target Group, and their market values are good indicators of the industry. Therefore the Valuer has applied the market approach to arrive at the fair value of the Target Group. Based on the aforesaid factors and having also considered (i) the qualifications and experience of the Valuer; and (ii) based on our independent research, there were adoptions of market approach for valuation of equity interest, we consider that the adoption of market approach for the valuation of the Target Group by the Valuer to be fair and reasonable.

We further note that, under the market approach, comparable company method was adopted by the Valuer in the valuation of the Target Group. The comparable company method refers to the calculation of the price multiples of publicly listed companies which are considered to be comparable to the Target Group and then applies the result to a base of the Target Group, with necessary adjustment of discount for lack of marketability and control premium.

Valuation assumptions

We noted that the Valuer has made various assumptions for the valuation of the Target Group, including (a) there will be no material change in the existing political, legal, technological, fiscal or economic conditions, which might adversely affect the business of the Target Group; (b) there are no hidden or unexpected conditions associated with the assets valued that might adversely affect the reported values; and (c) the working capital adjustments on consideration will not significantly affect the normal operation of the businesses, and thus the calculation of the enterprise value. We have discussed with the Valuer and reviewed on the key assumptions made and nothing has come to our attention that would lead us to doubt the fairness and reasonableness of the principal assumptions adopted in the Valuation Report.

Selection of comparable companies

According to the Valuation Report, we have reviewed the seven comparable companies ("**Comparable Companies**") selected by the Valuer in the valuation of the Target Group and noted that the Comparable Companies have been selected based on the following criteria:

(i) The primary industry of the Comparable Companies is apparel or apparel retail;

(ii) The majority of revenue (i.e. >50%) is attributable to medium to high end women's apparel and related business;

(iii) The Comparable Companies' major business operation is in China;

(iv) The Comparable Companies are listed on the Stock Exchange or Shanghai Stock Exchange or Shenzhen Stock Exchange; and

(v) The financial information of the Comparable Companies is available to the public.

We have discussed with the Valuer on its selection criteria and assessed the appropriateness of the Comparable Companies selected. Based on the best available information, they have researched and studied public companies listed in Hong Kong and the PRC, which have majority of revenue attributable to medium to high end women's apparel and related business. We understand that, based on the above steps, the Comparable Companies represent an exhaustive list of comparable companies having met all the above selection criteria. Details of the Comparable Companies are set out in Appendix V to this Circular.

It is noticed that three of the Comparable Companies, namely Ribo Fashion Group Co., Ltd., Anzheng Fashion Group Co. Ltd. and Lancy Co., Ltd, possess relatively higher EV/EBITDA multiples. According to the Valuation Report, the Valuer has further performed analysis on the financial statements of the Comparable Companies to ensure that all extraordinary items have been excluded in the calculation. In addition, given that all of the subject companies are considered to be appropriate benchmark of the Target Group in terms of business nature, geographical location and business scale, they are hence included in the analysis. Based on the above, we are of the view that the Comparable Companies are fair and representative samples.

Selection of price multiple

With reference to the Valuation Report, we understand that the Valuer has considered various price multiples in applying the comparable company method, including the enterprise value-to-earnings before interest, taxes, depreciation and amortization multiple, enterprise value-to-earnings before interest and taxes ("**EV/EBIT**") multiple, price-to-earnings ("**P/E**") multiple and the price-to-book ("**P/B**") multiple.

Having considered that (i) the P/B multiple does not reflect the value of intangible company-specific competencies and advantages; and (ii) the P/E multiple does not cater for the tax policies difference in different listing countries that the effect of tax on earnings of Comparable Companies should be eliminated, the Valuer is of the view that the price multiples of P/B and P/E were not appropriate for the valuation of the Target Group. As advised by the Valuer, despite the Comparable Companies have the same key business geographical location, they might possess different tax exposure. The effective tax rates of the Comparable Companies range from 10.2% to 28.2% in financial year 2018. As such, we concur with the Valuer that EV/EBITDA is more appropriate in eliminating the tax effects on the earnings.

Besides, although EV/EBIT multiples have eliminated tax effect on earnings, they still comprise non-cash items in earnings, such as depreciation and amortization of fixed assets, therefore the EV/EBIT multiple is also not adopted by the Valuer for the valuation of the Target Group.

The Valuer advised, EBITDA, with non-cash items being excluded, is considered to be a better proxy in analyzing the operating cash flow of a company. In addition, free cash flow is considered to be unencumbered and more representative in the valuation of a company. As such, we concur with the Valuer that the EV/EBITDA multiple is considered most appropriate to be adopted in assessing the value of the Target Group as EV/EBITDA multiple excludes depreciation and amortization in the calculation.

Determination of equity value of the Group

According to the Valuation Report, enterprise value ("**EV**") is generally derived based on the market capitalization of a company, plus net debt (total debt minus cash and short-term investment), minority interest and preferred shares. Based on this formula, the EV/EBITDA multiple for each of the Comparable Companies has been determined. Given the multiples of Comparable Companies show a range of values, the median of the EV/EBITDA multiples is adopted, which is able to minimize the impact of outliers to the valuation result. In view of the above, we are of the view that the adoption of the median of the EV/EBITDA multiples of Comparable Companies is fair and reasonable.

The median of the EV/EBITDA multiple of the Comparable Companies of 9.9 was multiplied by the EBITDA of the Target Group for the year ended 31 December 2018 and further adjusted by adding back the cash and cash equivalent, subtracting the total debt and non-operating liabilities. As advised by the Valuer, the Shareholder's Loan has been taken into consideration in the course of valuation through the adjustment of non-operating liabilities. As a result of the above, the equity value of the Target Group was determined to be approximately RMB2,442.5 million.

*Discount for lack of marketability ("**LOMD**")*

LOMD is a downward adjustment to the market value to reflect its reduced level of marketability. As the shares of the Target Group are unlikely to be listed in any major stock exchange or be marketable in any over-the-counter market in the near future, the ownership interest in the Target Group is not readily marketable. However, the EV/EBITDA multiple adopted in the valuation was determined based on the publicly listed companies, which represents the marketable ownership interest of the Comparable Companies. As such, LOMD was adopted by the Valuer to adjust such marketable interest fair value to non-marketable interest fair value.

Based on the Valuation Report, we note that the LOMD, as the percentage difference between the private placement price per share and the market trading price per share, has been properly selected by the Valuer with reference to the Stout Restricted Stock Study Companion Guide, which the Stout Restricted Stock Study is the largest fully-vetted LOMD database providing the average and median discount rate of LOMD based on its sizable transaction database.

Based on the above, we concur with the Directors that the discount rate of 20.7% applied by the Valuer as the LOMD for the valuation of the Target Group is fair and justifiable.

Control premium

Control premium is the amount that a buyer is willing to pay over the minority equity value of the company in order to acquire a controlling interest in that company. The EV/EBITDA multiple adopted in the valuation was calculated from publicly listed companies, which represents minority ownership interest; market value calculated using such EV/EBITDA multiple, therefore, represents the minority interest. Thus, control premium was adopted to adjust such minority interest market value to controlling interest market value.

The Valuer has adjusted the value of the Target Group's shares for controlling interest by applying a control premium. The control premium has been made reference to the implied control premium derived from comparable transactions. Below are the selection criteria for the comparable transactions:

- The industry of the subject company is retail of apparels or shoes;
- Completion date of the transaction was between 31 December 2008 and 31 December 2018;

- Acquisition of majority stake of equity interest in the subject company (i.e. over 50%); and

- The transaction has been completed.

Based on the above selection criteria, as the comparable transactions are drawn from subject companies which are engaged in retail of apparels, and are acquisition of majority stake of equity interest in the subject company, which is similar to the Acquisition. We are of the view that the comparable transactions are fair and representative samples. We have also obtained and reviewed the workings for researching the comparable transactions based on the above selection criteria by the Valuer through Bloomberg terminal. Based on the result generated from the Bloomberg terminal, we understand that the comparable transactions are exhaustive list of samples based on the selection criteria. And we are of the view that the control premium has been properly derived from the comparable transactions by the Valuer.

Based on the above, we concur with the Directors that the average control premium for retail apparel industry of 17.8% applied by the Valuer for the valuation of the Target Group is fair and justifiable.

Having considered that (i) the list of the Comparable Companies is exhaustive; (ii) the valuation methodology has been properly adopted by the Valuer for the valuation of the Target Group; (iii) the LOMD and control premium applied for the valuation is fair and justifiable; (iv) the Total Consideration has been determined based on the valuation of the Target Group; and (v) the Total Consideration represented a discount of approximately 10% to the Valuation, we are of the view that the Total Consideration is fair and reasonable so far as the Independent Shareholders are concerned and in the interests of the Company and the Shareholders as a whole.

Shareholders should note that valuation of business usually involves assumptions and therefore the Valuation may or may not reflect the true market value of the Target Group accurately.

4. Effect on the shareholding structure of the Company

Assuming that there will not be any change in the issued share capital of the Company from the Latest Practicable Date up to the Completion Date, set out below is the table of the shareholding structure of the Company (i) as at the Latest Practicable Date; and (ii) immediately after the Completion:

	As at the Latest Practicable Date		Immediately after the Completion	
Name of Shareholders	**Number of Shares**	**Approximate percentage of total issued Shares**	**Number of Shares**	**Approximate percentage of total issued Shares**
Koradior Investments Limited *(Note 1)*	300,450,500	61.78%	300,450,500	43.86%
Sisu Holdings Limited *(Note 2)*	41,680,578	8.57%	41,680,578	6.08%
Mr. Guo Guangchang and companies controlled by him *(Note 3)*	25,800,000	5.30%	25,800,000	3.77%
Apex Noble	–	–	198,713,195	29.01%
Other public Shareholders	118,405,922	24.35%	118,405,922	17.28%
Total	**486,337,000**	**100.00%**	**685,050,195**	**100.00%**

Notes:

1. The entire issued share capital of Koradior Investments Limited is wholly-owned by Mayberry Marketing Limited, the entire issued share capital of which is in turn wholly-owned by BOS Trustee Limited as trustee of the Fiona Trust. The Fiona Trust is a discretionary trust set up by Mr. Jin Ming as settlor. The beneficiaries of Fiona Trust are Mr. Jin Ming, his spouse and his children. Mr. Jin Ming as founder of Fiona Trust is taken to be interested in the 300,450,500 Shares held by Koradior Investments Limited by virtue of Part XV of the SFO.

2. The entire issued share capital of Sisu Holdings Limited is wholly owned by Ms. Jinny Chui, an independent third party.

3. Mr. Guo Guangchang, an independent third party, is deemed to be interested in the 25,800,000 Shares held by Fosun Ruizhe Grace Investments Limited pursuant to the SFO by virtue of Fosun Ruizhe Grace Investments Limited being a subsidiary of Fosun International Limited, which is 70.72% owned by Fosun Holdings Limited, which in turn is a subsidiary of Fosun International Holdings Limited, in which Mr. Guo Guangchang holds 85.29% interest.

As shown in the table above and assuming that there will not be any change in the issued share capital of the Company from the Latest Practicable Date up to the Completion Date, the shareholding in the Company held by public Shareholders would be diluted from 38.22% as at the Latest Practicable Date to 27.13% immediately after the Completion. However, having considered (i) the benefits of the Acquisition as discussed under the sub-section headed ''Reasons for and benefits of the Acquisition''; and (ii) the Issue Price and the Total Consideration are fair and reasonable so far as the Independent Shareholders are concerned and are in the interests of the Company and the Shareholders as a whole as discussed under the section headed ''Evaluation of the Issue Price and the Total Consideration'', we are of view that the dilution effect on the shareholding of existing public Shareholders in the Company is acceptable so far as the Company and the Independent Shareholders are concerned.

5. Possible financial effects of the Acquisition

(a) Working capital

According to the 2018 Annual Report, the Company had cash and cash of equivalents of RMB613.4 million as at 31 December 2018. With reference to the Letter from the Board, the Company intends to finance the Total Consideration with internal resources of the Group and the issue and allotment of the Consideration Shares. It is expected that the Group's cash and cash equivalents would be reduced as a result of the Acquisition and the working capital position of the Group would therefore decrease.

(b) Net asset value

With reference to the 2018 Annual Report, net assets of the Group as at 31 December 2018 was RMB1,239.1 million. As disclosed in the unaudited pro forma financial information of the Enlarged Group set out in Appendix IV of this Circular, assuming the Acquisition had been completed on 31 December 2018, the net assets of the Enlarged Group as at 31 December 2018 would have been increased by RMB1,580.4 million to RMB2,819.5 million.

(c) Earnings

As stated in the Letter from the Board, upon Completion, the Group will be interested in the entire issued shares of Keen Reach, and each member of the Target Group will become a subsidiary of the Company, whose results will be consolidated into the accounts of the Group. The Acquisition will not affect the earnings of the Group for the year ended 31 December 2018. Given the profitability of the Target Group for the three years ended 31 December 2018, we concur with the view of the Directors that the Acquisition is expected to contribute to earnings base of the Group but the extent of such contribution will depend on the future performance of the Target Group.

It should be noted that the above analyses are for illustrative purposes only and do not purport to represent how the financial position/results of the Group will be upon Completion and the issue and allotment of the Consideration Shares pursuant to the Acquisition.

RECOMMENDATION

Having considered the principal factors and reasons discussed above, we are of the opinion that (i) despite the Acquisition is not in the ordinary and usual course of business of the Group, it is fair and reasonable and in the interests of the Company and the Shareholders as a whole; and (ii) the terms of the Acquisition Agreement are on normal commercial terms, are fair and reasonable so far as the Independent Shareholders are concerned, and are in the interests of the Company and the Shareholders as a whole. Accordingly, we recommend the Independent Board Committee to advise the Independent Shareholders to vote in favour of the resolution(s) to be proposed at the EGM to approve the Acquisition Agreement and the transactions contemplated therein, including the allotment and issue of the Consideration Shares, and we recommend the Independent Shareholders to vote in favour of the resolution(s) in this regard.

Yours faithfully,
For and on behalf of
RED SOLAR CAPITAL LIMITED

Ernest Lam	**Leo Chan**
Managing Director	*Managing Director*

Mr. Ernest Lam is a licensed person and responsible officer of Red Solar Capital Limited registered with the SFC to carry on Type 6 (advising on corporate finance) regulated activity under the SFO and has over 17 years of experience in corporate finance industry.

Mr. Leo Chan is a licensed person and responsible officer of Red Solar Capital Limited registered with the SFC to carry on Type 6 (advising on corporate finance) regulated activity under the SFO and has over 13 years of experience in corporate finance industry.

1. FINANCIAL INFORMATION OF THE GROUP

Details of the financial information of the Group for each of the three years ended 31 December 2016, 31 December 2017 and 31 December 2018 are disclosed in the annual reports of the Company for the years ended 31 December 2016, 31 December 2017 and 31 December 2018, respectively, together with the relevant notes thereto, which have been published and are available on the websites of the Stock Exchange (http://www.hkexnews.hk) and the Company (http://www.koradior.com) as follows:

- annual report of the Company for the year ended 31 December 2016 published on 21 April 2017 (pages 62 to 124):
http://www3.hkexnews.hk/listedco/listconews/SEHK/2017/0421/LTN20170421835.pdf

- annual report of the Company for the year ended 31 December 2017 published on 24 April 2018 (pages 70 to 136):
http://www3.hkexnews.hk/listedco/listconews/SEHK/2018/0424/LTN20180424741.pdf

- annual report of the Company for the year ended 31 December 2018 published on 17 April 2019 (pages 81 to 160):
http://www3.hkexnews.hk/listedco/listconews/SEHK/2019/0417/LTN201904171068.pdf

The following is a summary of the audited financial information of the Group for the years ended 31 December 2016, 2017 and 2018 extracted from the annual reports of the Company for each of the years ended 31 December 2016, 2017 and 2018.

	Year ended 31 December		
	2018	**2017**	**2016**
	RMB'000	*RMB'000*	*RMB'000*
Operating results			
Revenue	2,520,906	2,203,726	1,599,486
Profit from operations	323,711	306,561	297,005
Profit attributable to shareholders	272,759	253,517	233,692

	As at 31 December		
	2018	**2017**	**2016**
	RMB'000	*RMB'000*	*RMB'000*
Assets and liabilities			
Non-current assets	281,761	255,350	264,752
Current assets	1,473,214	1,349,537	1,072,766
Current liabilities	485,887	481,250	390,399
Net current assets	987,327	868,287	682,367
Total assets less current liabilities	1,269,088	1,123,637	947,119
Non-current liabilities	29,977	10,982	13,807
Shareholders' Equity	1,239,111	1,112,655	933,312

2. INDEBTEDNESS STATEMENT

Bank borrowings

As at the close of business on 28 February 2019, being the latest practicable date for the purpose of this statement of indebtedness, the Group had aggregate borrowings of approximately RMB186,837,000 comprising (i) guaranteed bank borrowings of RMB177,638,000 which was unsecured; and (ii) other borrowings of bank advance on factored trade receivables of RMB9,199,000 which was unsecured.

As at the close of business on 28 February 2019, the Target Group had aggregate borrowings of approximately RMB139,054,000 comprising (i) secured bank borrowings of RMB130,000,000, which was guaranteed by Shenzhen Yingjia Fasion Co., Ltd ("**Yingjia Fashion**")(深圳市贏家服飾有限公司) and was secured by certain buildings of Yingjia Fashion situated in Mainland China; and (ii) other borrowings of bank advance on factored trade receivables of RMB9,054,000 which was unsecured.

Contingent liabilities and commitment

The Enlarged Group had no material contingent liabilities and commitment as at 28 February 2019.

Except as disclosed above and apart from intra-group liabilities, the Enlarged Group did not have, as at 28 February 2019, any other debt securities issued and outstanding, and authorized or otherwise created but unissued, other borrowings and indebtedness, bank overdrafts, acceptance credits, hire purchases commitments, finance lease commitments, mortgages, charges, guarantees or other material contingent liabilities.

3. WORKING CAPITAL

Working Capital

The Directors are of the opinion that, following completion of the Acquisition, taking into account the financial resources available to the Enlarged Group, including its internally generated funds, the present available banking facilities of the Enlarged Group, and in the absence of unforeseen circumstances, the Enlarged Group will have sufficient working capital to meet its present requirements for at least 12 months from the date of this circular.

4. FINANCIAL AND TRADING PROSPECTS OF THE ENLARGED GROUP

The middle and high-end womenswear market in the PRC is fast growing and has great potential. The Acquisition will allow the Group to seize the opportunity to expand its market share and enhance its leading market position.

The Group shall continue to implement a multi-brand strategy with quality and scale of mergers and acquisitions. After completion of Acquisition, the Enlarged Group will enable integration and optimization of resources and improve the overall competitiveness of the Group. The Group will benefit from the existing network and resources of the Target Group, such as the strong design and product development capabilities, effective branding and marketing channels and well-implemented retail management system. Also it will create a cost synergy effect on the Enlarged Group's business and help the Enlarged Group to minimize procurement costs. The Group believes the Acquisition will be the drivers for the Enlarged Group's future growth in the big era and the new future.

5. MATERIAL ACQUISITIONS

Since 31 December 2018 (being the date to which the latest published audited accounts of the Company have been made up), the Group has entered into the Acquisition Agreement on 25 March 2019, the details of which are set out in the Letter from the Board contained in this circular. No variation in the remuneration payable to and benefits in kind receivable by the Directors was involved in relation to the Acquisition. Save for the Acquisition disclosed above, the Group does not have any material acquisition after the latest published audited accounts of the Company.

6. MATERIAL ADVERSE CHANGE

The Directors are not aware of any material adverse change in the financial or trading position of the Group since 31 December 2018, being the date to which the latest published audited consolidated financial statements of the Company were made up.

1. ACCOUNTANTS' REPORT

The following is the text of a report received from the Target's reporting accountants, Ernst & Young, Certified Public Accountants, Hong Kong, prepared for the purpose of incorporation in this circular.

Ernst & Young
22/F, CITIC Tower
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The Directors
Koradior Holdings Limited
Orient Capital (Hong Kong) Limited

Dear Sirs,

We report on the historical financial information of Keen Reach Holdings Limited (the "**Target Company**") and its subsidiaries (together, the "**Target Group**") set out on pages II-5 to II-63, which comprises the consolidated statements of financial position as at 31 December 2016, 2017 and 2018, and the consolidated statements of profit or loss and other comprehensive income, the consolidated statements of changes in equity and consolidated statements of cash flows of the Target Group for each of the three years ended 31 December 2016, 2017 and 2018 (the "**Track Record Period**") and the statements of financial position of the Target Company as at 31 December 2016, 2017 and 2018 and a summary of significant accounting policies and other explanatory information (together, the "**Historical Financial Information**"). The Historical Financial Information set out on pages II-5 to II-63 forms an integral part of this report, which has been prepared for inclusion in the circular of Koradior Holding Limited (the "**Company**") dated 29 April 2019 (the "**Circular**") in connection with the proposed acquisition of the entire shares in the Target Company.

Directors of the Target Company's responsibility for the Historical Financial Information

The directors of the Target Company (the "**Target's Directors**") are responsible for the preparation of Historical Financial Information that gives a true and fair view in accordance with the basis of preparation and presentation set out in Note 2.1 to the Historical Financial Information, and for such internal control as the directors determine is necessary to enable the preparation of Historical Financial Information that is free from material misstatement, whether due to fraud or error.

Reporting accountants' responsibility

Our responsibility is to express an opinion on the Historical Financial Information and to report our opinion to you. We conducted our work in accordance with Hong Kong Standard on Investment Circular Reporting Engagements 200, *Accountants' Reports on Historical Financial Information in Investment Circulars* issued by the Hong Kong Institute of Certified Public Accountants ("**HKICPA**"). This standard requires that we comply with ethical standards and plan and perform our work to obtain reasonable assurance about whether the Historical Financial Information is free from material misstatement.

Our work involved performing procedures to obtain evidence about the amounts and disclosures in the Historical Financial Information. The procedures selected depend on the reporting accountants' judgement, including the assessment of risks of material misstatement of the Historical Financial Information, whether due to fraud or error. In making those risk assessments, the reporting accountants consider internal control relevant to the entity's preparation of Historical Financial Information that gives a true and fair view in accordance with the basis of preparation and presentation set out in Note 2.1 to the Historical Financial Information in order to design procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Our work also included evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the Target Company's Directors, as well as evaluating the overall presentation of the Historical Financial Information.

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

Opinion

In our opinion the Historical Financial Information gives, for the purposes of the accountants' report, a true and fair view of the Target Group and the Target Company's financial position as at 31 December 2016, 2017 and 2018, and of the Target Group's financial performance and cash flows for the Track Record Period in accordance with the basis of preparation and presentation set out in Note 2.1 to the Historical Financial Information.

Report on matters under the Rules Governing the Listing of Securities on the Main Board of the Stock Exchange and the Companies (Winding Up and Miscellaneous Provisions) Ordinance

Adjustments

In preparing the Historical Financial Information no adjustments to the Underlying Financial Statements as defined on page II-4 have been made.

Dividends

We refer to note 11 to the Historical Financial Information which contains information about the dividends paid by Keen Reach Holdings Limited in respect of the Track Record Period.

Yours faithfully,

ERNST&YOUNG
Certified Public Accountants
Hong Kong
29 April 2019

HISTORICAL FINANCIAL INFORMATION

Preparation of Historical Financial Information

Set out below is the Historical Financial Information which forms an integral part of this accountants' report.

The financial statements of the Target Group for the Track Record Period, on which the Historical Financial Information is based, were audited by Ernst & Young in accordance with Hong Kong Standards on Auditing issued by the Hong Kong Institute of Certified Public Accountants. (the "**Underlying Financial Statements**").

The Historical Financial Information is presented in Renminbi ("**RMB**") and all values are rounded to the nearest thousand except when otherwise indicated.

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the year ended 31 December 2016, 2017, 2018

	Notes	2018 RMB'000	2017 RMB'000	2016 RMB'000
REVENUE	5	2,017,105	1,723,307	1,290,403
Cost of Sales	9	(589,695)	(552,062)	(409,609)
Gross profit		1,427,410	1,171,245	880,794
Other income and gains, net	5	12,867	11,284	1,487
Selling and distribution expenses		(1,122,712)	(972,594)	(665,108)
Administrative expenses		(95,377)	(72,258)	(55,860)
Impairment losses on financial assets	9	(306)	–	–
Other expenses		(1,048)	(84)	–
Finance costs	6	(3,658)	(2,933)	(1,308)
PROFIT BEFORE TAX	9	217,176	134,660	160,005
Income tax expense	10	(54,911)	(30,789)	(40,006)
PROFIT FOR THE YEAR		162,265	103,871	119,999
OTHER COMPREHENSIVE INCOME				
Other comprehensive loss that may be classified to profit or loss in subsequent periods				
Exchange differences on translation of financial statements		(1,940)	(1,009)	(2,127)
TOTAL COMPREHENSIVE INCOME FOR THE YEAR		160,325	102,862	117,872

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

At 31 December 2016, 2017, 2018

	Notes	31 December 2018 RMB'000	31 December 2017 RMB'000	31 December 2016 RMB'000
NON-CURRENT ASSETS				
Property, plant and equipment	13	36,501	34,167	17,969
Prepayments, other receivables and other assets	14	16,189	10,581	3,728
Intangible assets		931	1,193	265
Deferred tax assets	15	5,819	7,790	10,882
Total non-current assets		59,440	53,731	32,844
CURRENT ASSETS				
Inventories	16	325,143	227,779	191,070
Trade and bills receivables	17	260,724	267,117	209,481
Prepayments, other receivables and other assets	14	34,475	50,862	44,757
Financial assets at fair value through profit or loss		20,000	18,000	–
Cash and cash equivalents	18	158,149	56,583	119,545
Total current assets		798,491	620,341	564,853
CURRENT LIABILITIES				
Interest-bearing bank and other borrowings	19	139,723	85,471	51,167
Trade payables	20	63,007	25,092	56,629
Other payables and accruals	21	246,272	297,001	250,699
Tax payable		75,298	42,626	27,311
Total current liabilities		524,300	450,190	385,806
NET CURRENT ASSETS		274,191	170,151	179,047
TOTAL ASSETS LESS CURRENT LIABILITIES		333,631	223,882	211,891

	Notes	31 December 2018 RMB'000	31 December 2017 RMB'000	31 December 2016 RMB'000
Net assets		333,631	223,882	211,891
EQUITY				
Share capital	*22*	7	7	7
Reserves		333,624	223,875	211,884
Total equity		333,631	223,882	211,891

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

Year ended 31 December 2016, 2017, 2018

	Share capital RMB'000 (note 22)	Capital reserve RMB'000	Statutory reserve RMB'000	Exchange Reserve RMB'000	Retained profits RMB'000	Total RMB'000
At 1 January 2016	7	–	6,243	(382)	54,860	60,728
Profit for the year	–	–	–	–	119,999	119,999
Cash consideration upon disposal of entities under common control	–	33,291	–	–	–	33,291
Exchange differences related to financial statements	–	–	–	(2,127)	–	(2,127)
Appropriation to statutory reserves	–	–	11,116	–	(11,116)	–
At 31 December 2016	7	33,291*	17,359*	(2,509)*	163,743*	211,891
Profit for the year	–	–	–	–	103,871	103,871
Exchange differences related to financial statements	–	–	–	(1,009)	–	(1,009)
Final 2017 dividend declared	–	–	–	–	(90,871)	(90,871)
At 31 December 2017	7	33,291*	17,359*	(3,518)*	176,743*	223,882
Profit for the year	–	–	–	–	162,265	162,265
Cash consideration upon acquisition of entities under common control	–	(35,024)	–	–	–	(35,024)
Exchange differences related to financial statements	–	–	–	(1,940)	–	(1,940)
Appropriation to statutory reserves	–	–	5,828	–	(5,828)	–
Final 2018 dividend declared	–	–	–	–	(15,552)	(15,552)
At 31 December 2018	7	(1,733)*	23,187*	(5,458)*	317,628*	333,631

* *These reserve accounts comprise the consolidated reserve of RMB211,884,000, RMB223,875,000 and RMB333,624,000 as of 31 December 2016, 2017 and 2018 respectively in the consolidated statement of financial position.*

CONSOLIDATED STATEMENT OF CASH FLOWS

For the year ended 31 December 2016, 2017, 2018

	Notes	2018 RMB'000	2017 RMB'000	2016 RMB'000
CASH FLOWS FROM OPERATING ACTIVITIES				
Profit before tax		217,176	134,660	160,005
Adjustments for:				
Bank interest income	5	(538)	(1,050)	(343)
Other interest income from financial assets at fair value through profit or loss	5	(1,132)	(338)	(72)
Finance costs	6	3,658	2,933	1,308
(Reversal of write-down)/ write-down of inventories to net realisable value	9	(197)	476	3,958
Impairment of trade receivables	9	306	–	–
Loss on disposal of items of property, plant and equipment	13	52	61	–
Depreciation	13	37,814	30,365	13,616
Amortisation of intangible assets	9	286	140	39
		257,425	167,247	178,511
(Increase)/decrease in inventories		(97,167)	(37,185)	18,106
Decrease/(increase) in trade and bills receivables		6,087	(57,636)	(140,741)
Decrease/(increase) in prepayments, other receivables and other assets	14	10,779	(46,249)	18,076
Increase/(decrease) in trade payables	20	37,915	(31,537)	(27,635)
Increase/(decrease) in other payables and accruals	21	5,117	(44,569)	81,401
Cash generated from/(used in) operations		220,156	(49,929)	127,718
Income tax paid		(20,268)	(12,381)	(40,029)
Net cash flows from/(used in) operating activities		199,888	(62,310)	87,689
CASH FLOWS FROM INVESTING ACTIVITIES				
Purchases of items of property, plant and equipment	13	(40,200)	(46,624)	(24,741)
Purchases of items of intangible assets		(24)	(1,069)	(304)
Interest received	5	1,670	1,388	415
Increase in financial assets at fair value through profit or loss	26	(2,000)	(18,000)	–
Cash Consideration upon disposal of entities under common control		–	33,291	–
Net cash flows used in investing activities		(40,554)	(31,014)	(24,630)

	Notes	2018 RMB'000	2017 RMB'000	2016 RMB'000
CASH FLOWS FROM FINANCING ACTIVITIES				
New bank and other borrowing		140,018	88,471	51,167
Repayment of bank loans		(85,765)	(54,167)	–
Interest paid	*6*	(3,658)	(2,933)	(1,308)
Dividend paid		(106,423)	–	–
Net cash flows (used in)/from financing activities		(55,828)	31,371	49,859
NET (DECREASE)/INCREASE IN CASH AND CASH EQUIVALENTS		103,506	(61,953)	112,918
Effect of foreign exchange rate changes, net		(1,940)	(1,009)	(2,127)
Cash and cash equivalents at beginning of year	*18*	56,583	119,545	8,754
CASH AND CASH EQUIVALENTS AT END OF YEAR	*18*	158,149	56,583	119,545

NOTES TO FINANCIAL STATEMENTS

For the year ended 31 December 2016, 2017, 2018

1. CORPORATE AND GROUP INFORMATION

The Target Company is a limited liability company incorporated in the British Virgin Islands ("**BVI**").

The principal activity of the Target Company was investment holdings. The principal activity of the Target Group was design, promotion, marketing and sales of self-owned branded products.

At the end of the Track Record Period, the Target Company had direct and indirect interests in its subsidiaries, all of which are private limited liability companies, the particulars of which are set out below:

Company name	Place of incorporation/ registration	Registered share capital	Percentage of equity attributable to the Company Direct %	Indirect %	Principal activities
Extra Wisdom Ltd *(note a)*	Hong Kong	HK$1,000	100	–	Investment holding
Aoruina Garments (Shenzhen) Co., Ltd. *(note b/c)*	PRC	RMB16,372,680	–	100	Sale of ladies-wear and accessories
Shenzhen Naersi Fashion Co., Ltd. *(note b/c)*	PRC	RMB1,000,000	–	100	Sale of ladies-wear and accessories

Note:

a. The statutory financial statements of this entity for the years ended 31 December 2016, 2017 and 2018 prepared under Hong Kong Financial Reporting Standards ("**HKFRS**") were audited by Ken So & Co., certified public accountants registered in Hong Kong.

b. No audited financial statements have been prepared for these entities for the years ended 31 December 2016, 2017 and 2018, as the entities were not subject to any statutory audit requirements under the relevant rules and regulations in their jurisdiction of incorporation.

c. The English name of the Target Company's subsidiaries registered in the PRC represent the translated names of these companies as no English names have been registered.

2.1 BASIS OF PREPARATION AND CHANGES TO THE TARGET GROUP'S ACCOUNTING POLICIES

These Historical Financial Information have been prepared in accordance with International Financial Reporting Standards ("**IFRSs**") which comprise all standards and interpretations approved by the International Accounting Standards Board (the "**IASB**"). All IFRSs effective for the accounting period commencing from 1 January 2016, together with the relevant transitional provisions, have been early adopted by the Target Group in the preparation of Historical Financial Information throughout the Track Record Period. They have been prepared under the historical cost convention, except for financial assets at fair value through profit or loss, which have been measured at fair value.

Merger accounting for business combination involving business under common control

On 9 December 2016, Extra Wisdom Limited ("**Extra Wisdom**"), a wholly-owned subsidiary of Keen Reach, entered in to a share transfer agreement with Yingjia Fashion (Ganzhou) Co., Ltd. ("**Yingjia Ganzhou**"),to transfer the entire assets and liabilities of Aoruina Garments (Shenzhen) Co., Ltd. ("**Shenzhen Aoruina**") and its subsidiary (the "**Target Business**") for a cash consideration of RMB33,291,000.

On 10 July 2018, Yingjia Ganzhou entered into a share transfer agreement with Ms. Xue Mei to transfer 5% share of the Target Business to Ms. Xue Mei for a consideration of RMB1,750,000. On 26 July 2018, Yingjia Ganzhou and Ms. Xue Mei entered into a share transfer agreement with Extra Wisdom to transfer all their shares of Target Business to Extra Wisdom for a cash consideration of RMB35,024,000, respectively. The cash consideration was settled on 20 March 2019.

Keen Reach, Extra Wisdom, Shenzhen Aoruina and its subsidiary were under the common control of Mr. Jin Rui and Ms. Chen Lingmei starting from date of establishment in accordance with the agreement entered by Mr. Jin Rui and Ms. Chen Lingmei. Mr. Jin Rui and Ms. Chen Lingmei are persons acting in concert and share the common control of the above entities. The above entities are always under the common control of Mr. Jin Rui and Ms. Chen Lingmei providing they hold directly or indirectly share interests in the above entities and they are the key management members of the above entities.

The directors of the Target Company have determined that the acquisition and disposal of the Target Business have constituted a business combination under common control. The assets and liabilities of the Target Business have been recognised in the Historical Financial Information of the Keen Reach as if the consolidation had occurred prior to the start of the earliest period presented.

Accordingly, the consolidated statement of profit or loss, consolidated statement of comprehensive income, consolidated statement of changes in equity and the consolidated statement of cash flows have been prepared as if the combination had occurred prior to the start of the earliest period presented.

Basis of consolidation

The consolidated financial statements include the financial statements of the Target Group for the year ended 31 December 2016, 2017 and 2018. A subsidiary is an entity (including a structured entity), directly or indirectly, controlled by the Target Company. Control is achieved when the Target Group is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee (i.e., existing rights that give the Target Group the current ability to direct the relevant activities of the investee).

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

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

(b) rights arising from other contractual arrangements; and

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

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

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

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

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

2.2 ISSUED BUT NOT YET EFFECTIVE INTERNATIONAL FINANCIAL REPORTING STANDARDS

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

Amendments to IFRS 3	*Definition of a Business*[2]
Amendments to IFRS 9	*Prepayment Features with Negative Compensation*[1]
Amendments to IFRS 10 and IAS 28 (2011)	*Sale or Contribution of Assets between an Investor and its Associate or Joint Venture*[4]
IFRS 16	*Leases*[1]
IFRS 17	*Insurance Contracts*[3]
Amendments to IAS 1 Definition of Material 2 and IAS 8	*Definition of Material*[2]
Amendments to IAS 19	*Plan Amendment, Curtailment or Settlement*[1]
Amendments to IAS 28	*Long-term Interests in Associates and Joint Ventures*[1]
IFRIC-Int 23	*Uncertainty over Income Tax Treatments*[1]
Annual Improvements 2015-2017 Cycle	Amendments to IFRS 3, IFRS 11, IAS 12 and IAS 23[1]

1 Effective for annual periods beginning on or after 1 January 2019
2 Effective for annual periods beginning on or after 1 January 2020
3 Effective for annual periods beginning on or after 1 January 2021
4 No mandatory effective date determined but available for adoption

Further information about these IFRSs that are expected to be applicable to the Target Group is described below.

Amendments to IFRS 10 and IAS 28 (2011) address an inconsistency between the requirements in IFRS 10 and in IAS 28 (2011) in dealing with the sale or contribution of assets between an investor and its associate or joint venture. The amendments require a full recognition of a gain or loss when the sale or contribution of assets between an investor and its associate or joint venture constitutes a business. For a transaction involving assets that do not constitute a business, a gain or loss resulting from the transaction is recognised in the investor's profit or loss only to the extent of the unrelated investor's interest in that associate or joint venture. The amendments are to be applied prospectively. The previous mandatory effective date of amendments to IFRS 10 and IAS 28 (2011) was removed by the IASB in January 2016 and a new mandatory effective date will be determined after the completion of a broader review of accounting for associates and joint ventures. However, the amendments are available for adoption now.

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

The Target Group plans to adopt the transitional provisions in IFRS 16 to recognise the cumulative effect of initial adoption as an adjustment to the opening balance of retained earnings at 1 January 2019 and will not restate the comparatives. In addition, the Target Group plans to apply the new requirements to contracts that were previously identified as leases applying IAS 17 and measure the lease liability at the present value of the remaining lease payments, discounted using the Target Group's incremental borrowing rate at the date of initial application. The right-of-use asset will be measured at the amount of the lease liability, adjusted by the amount of any prepaid or accrued lease payments relating to the lease recognised in the statement of financial position immediately before the date of initial application. During 2018, the Target Group has performed a detailed assessment on the impact of adoption of IFRS 16. The Target Group has estimated that right-of-use assets of RMB196,238,000 and lease liabilities of RMB196,238,000 will be recognised at 1 January 2019.

Amendments to IAS 1 and IAS 8 provide a new definition of material. The new definition states that information is material if omitting, misstating or obscuring it could reasonably be expected to influence decisions that the primary users of general purpose financial statements make on the basis of those financial statements. The amendments clarify that materiality will depend on the nature or magnitude of information. A misstatement of information is material if it could reasonably be expected to influence decisions made by the primary users. The Target Group expects to adopt the amendments prospectively from 1 January 2020. The amendments are not expected to have any significant impact on the Target Group's financial statements.

Amendments to IAS 28 clarify that the scope exclusion of IFRS 9 only includes interests in an associate or joint venture to which the equity method is applied and does not include long-term interests that in substance form part of the net investment in the associate or joint venture, to which the equity method has not been applied. Therefore, an entity applies IFRS 9, rather than IAS 28, including the impairment requirements under IFRS 9, in accounting for such long-term interests. IAS 28 is then applied to the net investment, which includes the long-term interests, only in the context of recognising losses of an associate or joint venture and impairment of the net investment in the associate or joint venture. The Target Group expects to adopt the amendments on 1 January 2019 and will assess its business model for such long-term interests based on the facts and circumstances that exist on 1 January 2019 using the transitional requirements in the amendments. The Target Group also intends to apply the relief from restating comparative information for prior periods upon adoption of the amendments.

IFRIC-Int 23 addresses the accounting for income taxes (current and deferred) when tax treatments involve uncertainty that affects the application of IAS 12 (often referred to as "**uncertain tax positions**"). The interpretation does not apply to taxes or levies outside the scope of IAS 12, nor does it specifically include requirements relating to interest and penalties associated with uncertain tax treatments. The interpretation specifically addresses (i) whether an entity considers uncertain tax treatments separately; (ii) the assumptions an entity makes about the examination of tax treatments by taxation authorities; (iii) how an entity determines taxable profits or tax losses, tax bases, unused tax losses, unused tax credits and tax rates; and (iv) how an entity considers changes in facts and circumstances. The interpretation is to be applied retrospectively, either fully retrospectively without the use of hindsight or retrospectively with the cumulative effect of application as an adjustment to the opening equity at the date of initial application, without the restatement of comparative information. The Target Group expects to adopt the interpretation from 1 January 2019. The interpretation is not expected to have any significant impact on the Target Group's financial statements.

2.3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The principal accounting policies adopted by the Target Group in arriving at these financial statements set out in this report are set out below:

Fair value measurement

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

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

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

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

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

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

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

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

Impairment of non-financial assets

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

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

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

Related parties

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

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

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

(ii) has significant influence over the Target Group; or

(iii) is a member of the key management personnel of the Target Group or of a parent of the Target Group;

or

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

(i) the entity and the Target Group are members of the same group;

(ii) one entity is an associate or joint venture of the other entity (or of a parent, subsidiary or fellow subsidiary of the other entity);

(iii) the entity and the Target Group are joint ventures of the same third party;

(iv) one entity is a joint venture of a third entity and the other entity is an associate of the third entity;

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

(vi) the entity is controlled or jointly controlled by a person identified in (a);

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

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

Property, plant and equipment and depreciation

Property, plant and equipment, other than construction in progress, are stated at cost less accumulated depreciation and any impairment losses. When an item of property, plant and equipment is classified as held for sale or when it is part of a disposal group classified as held for sale, it is not depreciated and is accounted for in accordance with IFRS 5. The cost of an item of property, plant and equipment comprises its purchase price and any directly attributable costs of bringing the asset to its working condition and location for its intended use.

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

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

Leasehold improvements	Over the lease terms
Motor vehicles	19% to 25%
Furniture, fittings and other equipment	19% to 33%

Where parts of an item of property, plant and equipment have different useful lives, the cost of that item is allocated on a reasonable basis among the parts and each part is depreciated separately. Residual values, useful lives and the depreciation method are reviewed, and adjusted if appropriate, at least at each financial year end.

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

Intangible assets

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

Computer software

The purchased computer software is stated at cost less any impairment losses and is amortised on the straight-line basis over its estimated useful life of 2 to 5 years.

Operating leases

Leases that transfer substantially all the rewards and risks of ownership of assets remain with the lessor are accounted for as operating leases. Where the Target Group is the lessor, assets leased by the Target Group under operating leases are included in non-current assets, and rentals receivable under the operating leases are credited to the statement of profit or loss on the straight-line basis over the lease terms. Where the Target Group is the lessee, rentals payable under operating leases net of any incentives received from the lessor are charged to the statement of profit or loss on the straight-line basis over the lease terms.

Investments and other financial assets

Initial recognition and measurement

Financial assets are classified, at initial recognition, as subsequently measured at amortised cost, fair value through other comprehensive income, and fair value through profit or loss.

The classification of financial assets at initial recognition depends on the financial asset's contractual cash flow characteristics and the Target Group's business model for managing them. With the exception of trade receivables that do not contain a significant financing component or for which the Target Group has applied the practical expedient of not adjusting the effect of a significant financing component, the Target Group initially measures a financial asset at its fair value, plus in the case of a financial asset not at fair value through profit or loss, transaction costs. Trade receivables that do not contain a significant financing component or for which the Target Group has applied the practical expedient are measured at the transaction price determined under IFRS 15 in accordance with the policies set out for "Revenue recognition" below.

In order for a financial asset to be classified and measured at amortised cost or fair value through other comprehensive income, it needs to give rise to cash flows that are solely payments of principal and interest ("**SPPI**") on the principal amount outstanding.

The Target Group's business model for managing financial assets refers to how it manages its financial assets in order to generate cash flows. The business model determines whether cash flows will result from collecting contractual cash flows, selling the financial assets, or both.

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

Subsequent measurement

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

Financial assets at amortised cost (debt instruments)

The Target Group measures financial assets at amortised cost if both of the following conditions are met:

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

Financial assets at amortised cost are subsequently measured using the effective interest method and are subject to impairment. Gains and losses are recognised in the statement of profit or loss when the asset is derecognised, modified or impaired.

Financial assets at fair value through profit or loss

Financial assets at fair value through profit or loss include financial assets held for trading, financial assets designated upon initial recognition at fair value through profit or loss, or financial assets mandatorily required to be measured at fair value. Financial assets are classified as held for trading if they are acquired for the purpose of selling or repurchasing in the near term. Derivatives, including separated embedded derivatives, are also classified as held for trading unless they are designated as effective hedging instruments. Financial assets with cash flows that are not solely payments of principal and interest are classified and measured at fair value through profit or loss, irrespective of the business model. Notwithstanding the criteria for debt instruments to be classified at amortised cost or at fair value through other comprehensive income, as described above, debt instruments may be designated at fair value through profit or loss on initial recognition if doing so eliminates, or significantly reduces, an accounting mismatch.

Financial assets at fair value through profit or loss are carried in the statement of financial position at fair value with net changes in fair value recognised in the statement of profit or loss.

This category includes structured bank deposits with floating interest rates whose cash flow characteristics fail the SPPI criteria or are not held within a business model whose objective is either to collect contractual cash flows, or to both collect contractual cash flows and sell.

Impairment of financial assets

General approach

The Target Group considers a financial asset in default when contractual payments are 90 days past due. However, in certain cases, the Target Group may also consider a financial asset to be in default when internal or external information indicates that the Target Group is unlikely to receive the outstanding contractual amounts in full before taking into account any credit enhancements held by the Target Group. A financial asset is written off when there is no reasonable expectation of recovering the contractual cash flows.

Financial assets at amortised cost are subject to impairment under the general approach and they are classified within the following stages for measurement of ECLs except for trade receivables which apply the simplified approach as detailed below.

Stage 1	–	Financial instruments for which credit risk has not increased significantly since initial recognition and for which the loss allowance is measured at an amount equal to 12-month ECLs
Stage 2	–	Financial instruments for which credit risk has increased significantly since initial recognition but that are not credit-impaired financial assets and for which the loss allowance is measured at an amount equal to lifetime ECLs
Stage 3	–	Financial assets that are credit-impaired at the reporting date (but that are not purchased or originated credit-impaired) and for which the loss allowance is measured at an amount equal to lifetime ECLs

Simplified approach

For trade receivables that do not contain a significant financing component or when the Target Group applies the practical expedient of not adjusting the effect of a significant financing component, the Target Group applies the simplified approach in calculating ECLs. Under the simplified approach, the Target Group does not track changes in credit risk, but instead recognises a loss allowance based on lifetime ECLs at each reporting date. The Target Group has established a provision matrix that is based on its historical credit loss experience, adjusted for forward-looking factors specific to the debtors and the economic environment.

For trade receivables that contain a significant financing component and lease receivables, the Target Group chooses as its accounting policy to adopt the simplified approach in calculating ECLs with policies as described above.

Financial liabilities

Initial recognition and measurement

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

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

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

Subsequent measurement

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

Loans and borrowings

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

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

Derecognition of financial liabilities

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

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

Offsetting of financial instruments

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

Inventories

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

Cash and cash equivalents

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

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

Income tax

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

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

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

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

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

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

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

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

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

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

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

Deferred tax assets and deferred tax liabilities are offset if and only if the Target Group has a legally enforceable right to set off current tax assets and current tax liabilities and the deferred tax assets and deferred tax liabilities relate to income taxes levied by the same taxation authority on either the same taxable entity or different taxable entities which intend either to settle current tax liabilities and assets on a net basis, or to realise the assets and settle the liabilities simultaneously, in each future period in which significant amounts of deferred tax liabilities or assets are expected to be settled or recovered.

Government grants

Government grants are recognised at their fair value where there is reasonable assurance that the grant will be received and all attaching conditions will be complied with. When the grant relates to an expense item, it is recognised as income on a systematic basis over the periods that the costs, which it is intended to compensate, are expensed.

Revenue recognition

Revenue from contracts with customers

Revenue from contracts with customers is recognised when control of goods or services is transferred to the customers at an amount that reflects the consideration to which the Target Group expects to be entitled in exchange for those goods or services.

When the consideration in a contract includes a variable amount, the amount of consideration is estimated to which the Target Group will be entitled in exchange for transferring the goods or services to the customer. The variable consideration is estimated at contract inception and constrained until it is highly probable that a significant revenue reversal in the amount of cumulative revenue recognised will not occur when the associated uncertainty with the variable consideration is subsequently resolved.

When the contract contains a financing component which provides the customer a significant benefit of financing the transfer of goods or services to the customer for more than one year, revenue is measured at the present value of the amount receivable, discounted using the discount rate that would be reflected in a separate financing transaction between the Target Group and the customer at contract inception. When the contract contains a financing component which provides the Target Group a significant financial benefit for more than one year, revenue recognised under the contract includes the interest expense accreted on the contract liability under the effective interest method. For a contract where the period between the payment by the customer and the transfer of the promised goods or services is one year or less, the transaction price is not adjusted for the effects of a significant financing component, using the practical expedient in IFRS 15.

Sale of goods

The Target Group operates a chain of retail stores and several online stores to sell womenswear. The Target Group also conducts wholesale to distributors. Sales of goods are recognized at the point in time when control of the asset is transferred to the customer, generally on delivery of the womenswear products.

Rights of return

For contracts which provide a customer with a right to return the goods within a specified period, the expected value method is used to estimate the goods that will not be returned because this method best predicts the amount of variable consideration to which the Target Group will be entitled. The requirements in IFRS 15 on constraining estimates of variable consideration are applied in order to determine the amount of variable consideration that can be included in the transaction price. For goods that are expected to be returned, instead of revenue, a refund liability is recognised. A right-of-return asset (and the corresponding adjustment to cost of sales) is also recognised for the right to recover products from a customer.

Other income

Interest income is recognised on an accrual basis using the effective interest method by applying the rate that exactly discounts the estimated future cash receipts over the expected life of the financial instrument or a shorter period, when appropriate, to the net carrying amount of the financial asset.

Contract liabilities

A contract liability is the obligation to transfer goods or services to a customer for which the Target Group has received a consideration (or an amount of consideration that is due) from the customer. If a customer pays the consideration before the Target Group transfers goods or services to the customer, a contract liability is recognised when the payment is made or the payment is due (whichever is earlier). Contract liabilities are recognised as revenue when the Target Group performs under the contract.

Contract costs

Other than the costs which are capitalised as inventories, property, plant and equipment and intangible assets, costs incurred to fulfil a contract with a customer are capitalised as an asset if all of the following criteria are met:

(a) The costs relate directly to a contract or to an anticipated contract that the entity can specifically identify.

(b) The costs generate or enhance resources of the entity that will be used in satisfying (or in continuing to satisfy) performance obligations in the future.

(c) The costs are expected to be recovered.

The capitalised contract costs are amortised and charged to the statement of profit or loss on a systematic basis that is consistent with the pattern of the revenue to which the asset related is recognised. Other contract costs are expensed as incurred.

Right-of-return assets

A right-of-return asset represents the Target Group's right to recover the goods expected to be returned by customers. The asset is measured at the former carrying amount of the goods to be returned, less any expected costs to recover the goods, including any potential decreases in the value of the returned goods. The Target Group updates the measurement of the asset recorded for any revisions to its expected level of returns, as well as any additional decreases in the value of the returned goods.

Refund liabilities

A refund liability is the obligation to refund some or all of the consideration received (or receivable) from the customer and is measured at the amount the Target Group ultimately expects it will have to return to the customer. The Target Group updates its estimates of refund liabilities (and the corresponding change in the transaction price) at the end of each reporting period.

Other employee benefits

Pension schemes

The Target Group operates a defined contribution Mandatory Provident Fund retirement benefit scheme (the "**MPF Scheme**") under the Mandatory Provident Fund Schemes Ordinance for all of its employees. Contributions are made based on a percentage of the employees' basic salaries and are charged to the statement of profit or loss as they become payable in accordance with the rules of the MPF Scheme. The assets of the MPF Scheme are held separately from those of the Target Group in an independently administered fund. The Target Group's employer contributions vest fully with the employees when contributed into the MPF Scheme.

The employees of the Target Group 's subsidiary which operates in Mainland China are required to participate in a central pension scheme operated by the local municipal government. This subsidiary is required to contribute certain percentage of its payroll costs to the central pension scheme. The contributions are charged to the statement of profit or loss as they become payable in accordance with the rules of the central pension scheme.

Borrowing costs

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

Dividends

Interim dividends are recognised directly as a liability when they are prepared and declared by the directors.

Final dividends are recognised as a liability when they are approved by the directors.

Foreign currencies

The functional currency of the Target Company is HKD, these financial statements are presented in RMB. The turnover of the Target Group is entirely contributed by the business in Mainland China and the presentation currency of RMB could provide uses of the financial statement with more comparable information with other companies in similar industries. Each entity in the Target Group determines its own functional currency and items included in the financial statements of each entity are measured using that functional currency. Foreign currency transactions recorded by the entities in the Target Group are initially recorded using their respective functional currency rates prevailing at the dates of the transactions. Monetary assets and liabilities denominated in foreign currencies are translated at the functional currency rates of exchange ruling at the end of the year. Differences arising on settlement or translation of monetary items are recognised in the statement of profit or loss.

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

In determining the exchange rate on initial recognition of the related asset, expense or income on the derecognition of a non-monetary asset or non-monetary liability relating to an advance consideration, the date of initial transaction is the date on which the Target Group initially recognises the non-monetary asset or non-monetary liability arising from the advance consideration. If there are multiple payments or receipts in advance, the Target Group determines the transaction date for each payment or receipt of the advance consideration.

The functional currencies of certain entities in the Target Group are currencies other than RMB. As at the end of the year, the assets and liabilities of these entities are translated into RMB at the exchange rates prevailing at the end of the year and their statements of profit or loss are translated into RMB at the weighted average exchange rates for the year. The resulting exchange differences are recognised in other comprehensive income and accumulated in the exchange fluctuation reserve. On disposal of a foreign operation, the component of other comprehensive income relating to that particular foreign operation is recognised in the statement of profit or loss.

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

3. SIGNIFICANT ACCOUNTING JUDGEMENTS AND ESTIMATES

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

Estimation uncertainty

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

Write-down of inventories to net realisable value

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

4. OPERATING SEGMENT INFORMATION

Operating segments, and the amounts of each segment item reported in the financial statements, are identified from the financial information provided regularly to the Target Group's most senior executive management for the purposes of allocating resources to, and assessing the performance of the Target 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 Target Group operates in a single business, retailing and wholesale of ladies-wear in the People's Republic of China. Accordingly, no segmental analysis is presented.

Information about major customers

The Target Group's customer base is diversified and no single external customer from which the revenue amounted to 10% or more of the Group's total revenue during the Track Record Period.

5. REVENUE AND OTHER INCOME AND GAINS

An analysis of revenue is as follows:

	2018	2017	2016
	RMB'000	*RMB'000*	*RMB'000*
Revenue from contracts with customers			
Sale of goods	2,017,105	1,723,307	1,290,403

(i) Disaggregated revenue information

	2018	2017	2016
	RMB'000	*RMB'000*	*RMB'000*
Segments			
Type of goods:			
Sale of apparel and accessories	2,017,105	1,723,307	1,290,403
Timing of revenue recognition:			
Goods transferred at a point in time	2,017,105	1,723,307	1,290,403

(ii) Performance obligation

Information about the Target Group's performance obligations is summarised below:

Sale of apparel and accessories

The performance obligation is satisfied upon delivery of the apparel and accessories.

	2018	2017	2016
	RMB'000	*RMB'000*	*RMB'000*
Other income, net			
Bank interest income	538	1,050	343
Subsidy income*	11,102	7,973	1,068
Other interest income from financial assets at fair value through profit or loss	1,132	338	72
Others	95	1,923	4
	12,867	11,284	1,487

* Subsidy income represents various government grants received from the relevant government authorities to support the development of the Target Group in Mainland China. In the opinion of management, there are no unfulfilled conditions or contingencies relating to these grants.

6. FINANCE COSTS

	2018	2017	2016
	RMB'000	*RMB'000*	*RMB'000*
Interest on bank loans	3.658	2,933	1,308

7. DIRECTORS' REMUNERATION

Directors' remuneration during the year, disclosed pursuant to the Listing Rules, is as follows:

	2018	2017	2016
	RMB'000	*RMB'000*	*RMB'000*
Other emoluments:			
Salaries, allowances and benefits in kind	1,841	1,276	918

(a) Executive directors and the chief executive

Salaries, allowances and benefits in kind	2018	2017	2016
	RMB'000	*RMB'000*	*RMB'000*
Executive director:			
Mr. Jin Rui	354	–	–
Chief executive director:			
Ms. Chen Lingmei	1,487	1,267	918
	1,841	1,267	918

8. FIVE HIGHEST PAID EMPLOYEES

The five highest paid employees during the Track Record Period included:

	2018	2017	2016
	RMB'000	*RMB'000*	*RMB'000*
Directors	2	1	1
Non-directors	3	4	4
Total	5	5	5

Details of the directors' remuneration are set out in note 7 above.

Details of the remuneration of the remaining highest paid employees during the Track Record Period are as follows:

	2018	2017	2016
	RMB'000	*RMB'000*	*RMB'000*
Salaries, allowances and benefits in kind	1,663	2,009	1,864
Pension scheme contributions	74	97	99
	1,737	2,106	1,963

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

	Number of employees		
	2018	2017	2016
Nil to HKD1,000,000	3	4	4

9. PROFIT BEFORE TAX

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

	Note	2018 RMB'000	2017 RMB'000	2016 RMB'000
Cost of inventories sold		589,695	552,062	409,609
Depreciation of property, plant and equipment	13	37,814	30,365	13,616
Amortisation of other intangible assets		286	140	39
Research and development costs* current year expenditure		26,481	22,278	15,718
Lease payments under operating leases in respect of retail outlets and office		544,572	475,457	386,221
Employee benefit expenses:				
Wages and salaries		362,432	312,452	203,791
Pension scheme contributions		24,574	20,763	28,850
		387,006	333,215	232,641
Exchange losses/(gains), net		752	(1,837)	–
Impairment losses on financial assets		306	–	–
Loss on disposal of property, plant and equipment		52	61	–
(Reversal of write-down)/ write-down of inventories to net realisable value^		(197)	476	3,958

* Research and development costs are included in Administrative expenses in the consolidated statement of profit or loss.

^ Reversal of write-down/write-down of inventories to net realisable value are included in "Cost of sales" in the consolidated statement of profit or loss and other comprehensive income.

10. INCOME TAX EXPENSE

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

In accordance with the relevant PRC income tax rules and regulations, the Target Group's subsidiaries registered in the PRC are subject to Corporate Income Tax ("**CIT**") at a statutory rate of 25% on their respective taxable income for the year ended 31 December 2016, 2017 and 2018.

	2018	**2017**	**2016**
	RMB'000	*RMB'000*	*RMB'000*
Current – PRC			
Charge for the period	52,940	27,697	46,597
Deferred	1,971	3,092	(6,591)
Total tax charge for the period	54,911	30,789	40,006

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

	2018		**2017**		**2016**	
	RMB'000	*%*	*RMB'000*	*%*	*RMB'000*	*%*
Profit before tax	217,176		134,660		160,005	
Tax at the statutory tax rate	54,453	25	33,507	25	40,006	25
Expenses not deductible for tax	161	–	67	–	–	–
Tax losses utilized from previous periods	297	–	–	–	–	–
Super-deduction of research and development costs	–	–	(2,785)	(2)	–	–
Tax charge at the Target Group's effective tax rate	54,911	25	30,789	23	40,006	25

11. DIVIDEND

The board of directors of the Target Company (the "**Board**") recommended to declare dividend of nil and RMB90,871,000 and RMB15,552,000 for the year ended 31 December 2016, 2017 and 2018 respectively.

12. EARNINGS PER SHARE ATTRIBUTABLE TO OWNERS OF THE PARENT

Earnings per share information is not presented as its inclusion, for the purpose of this report, is not considered meaningful.

13. PROPERTY, PLANT AND EQUIPMENT

	Leasehold improvements	**Motor vehicles**	**Furniture, fittings and other equipment**	**Total**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
At 1 January 2016, net of accumulated depreciation	5,049	–	1,795	6,844
Additions	22,834	104	1,803	24,741
Depreciation provided during the year	(13,028)	–	(588)	(13,616)
At 31 December 2016 and at 1 January 2017, net of accumulated depreciation	14,855	104	3,010	17,969
Additions	46,008	–	616	46,624
Disposals	–	–	(61)	(61)
Depreciation provided during the year	(28,812)	(29)	(1,524)	(30,365)
At 31 December 2017 and at 1 January 2018, net of accumulated depreciation	32,051	75	2,041	34,167
Additions	39,793	83	324	40,200
Disposals	–	(52)	–	(52)
Depreciation provided during the year	(36,547)	(35)	(1,232)	(37,814)
At 31 December 2018, net of accumulated depreciation	35,297	71	1,133	36,501

	Leasehold improvements	Motor vehicles	Furniture, fittings and other equipment	Total
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
At 31 December 2016:				
Cost	29,566	104	3,778	33,448
Accumulated depreciation	(14,711)	–	(768)	(15,479)
Net carrying amount	14,855	104	3,010	17,969
At 31 December 2017:				
Cost	75,574	104	4,334	80,012
Accumulated depreciation	(43,523)	(29)	(2,293)	(45,845)
Net carrying amount	32,051	75	2,041	34,167
At 31 December 2018:				
Cost	115,366	90	4,623	120,079
Accumulated depreciation	(80,069)	(19)	(3,490)	(83,578)
Net carrying amount	35,297	71	1,133	36,501

14. PREPAYMENTS, OTHER RECEIVABLES AND OTHER ASSETS

	2018	2017	2016
	RMB'000	*RMB'000*	*RMB'000*
Prepayments	12,206	24,022	6,521
Deposits and other receivables	34,649	34,860	41,188
Loan to employees	2,866	1,492	–
Right-of-return assets	943	1,069	776
	50,664	61,443	48,485
Less: Non-current position included in prepayments, other receivables, and other assets	(16,189)	(10,581)	(3,728)
	34,475	50,862	44,757

None of the above assets is either past due or impaired. Deposits and other receivables mainly represent deposits paid for promotion activity, deposits paid to the department stores and shopping malls for leases and loans to employees. None of the above assets is either past due or impaired. The expected credit losses are estimated with reference to the historical loss record of the Target Group. The financial assets included in the above balances relate to receivables for which there was no recent history of default. As at 31 December 2018, the probability of default and the loss given default of prepayments, other receivables and other assets were estimated to be minimal.

15. DEFERRED TAX ASSETS

	Impairments	Unrealized profits resulting from intragroup transactions	Total
	RMB'000	*RMB'000*	*RMB'000*
At 1 January 2016	4,291	–	4,291
Credited to the statement of profit or loss during the year	989	5,602	6,591
At 31 December 2016 and 1 January 2017	5,280	5,602	10,882
Credited/(charged) to the statement of profit or loss during the year	119	(3,211)	(3,092)
At 31 December 2017 and 1 January 2018	5,399	2,391	7,790
Credited/(charged) to the statement of profit or loss during the year	27	(1,998)	(1,971)
At 31 December 2018	5,426	393	5,819

Based on the assessment made by management as at the end of 2018, 2017 and 2016, it was determined that the undistributed profits of RMB317,948,000, RMB175,243,000 and RMB163,792,000 respectively of the Target Company's PRC subsidiaries would not be distributed in the foreseeable future.

16. INVENTORIES

	2018	2017	2016
	RMB'000	*RMB'000*	*RMB'000*
Raw materials	66,909	–	–
Work in progress	2,922	–	–
Finished goods	255,312	227,779	191,070
	325,143	227,779	191,070

17. TRADE AND BILLS RECEIVABLES

	2018	2017	2016
	RMB'000	*RMB'000*	*RMB'000*
Trade receivables	260,724	266,117	209,481
Bills receivable	–	1,000	–
	260,724	267,117	209,481

The Target Group's trading terms with its customers are mainly on credit, except for third party retailers, where payment in advance is normally required. The credit period normally ranges from 30 to 90 days. The Target Group grants a longer credit period to those long-standing customers with good payment history.

Each customer has a maximum credit limit. The Target Group seeks to maintain strict control over its outstanding receivables. Overdue balances are reviewed regularly by senior management.

An ageing analysis of the trade receivables as at 31 December 2018, 2017 and 2016, based on the invoice date and net of provision, and the balances of bills receivable are as follows:

	2018	2017	2016
	RMB'000	*RMB'000*	*RMB'000*
Within 30 days	129,521	124,340	108,583
31 to 60 days	78,021	88,342	74,498
61 to 90 days	20,447	24,440	15,620
91 to 180 days	18,703	17,380	6,750
181 to 360 days	12,865	10,727	4,030
Over 360 days	1,167	888	–
	260,724	266,117	209,481
Bills receivable	–	1,000	–
	260,724	267,117	209,481

As at 31 December 2018, the allowance for credit losses is related to individually impaired receivables amounting to RMB306,000. The management considers that such receivables is not recoverable since the customers are in severe financial liabilities. As a consequence, allowance for expected credit losses of RMB306,000 has been recognized in respect of such receivables.

As at 31 December 2018, 2017 and 2016, trade receivables that were not individually impaired related to a large number of independent customers including owners of department stores and shopping malls in Mainland China with no recent history of material defaults, the probability of default and the loss given default were estimated to be minimal.

The movement in the loss allowance for impairment of trade receivables is as follows:

	2018	2017	2016
	RMB'000	*RMB'000*	*RMB'000*
At beginning of year	–	–	–
Impairment losses, net	306	–	–
At end of year	306	–	–

The Target Group's bills receivable have been accepted by notable banks with high credit ratings. As at 31 December 2017, the probability of default and the loss given default were estimated to be minimal.

As part of its normal business, the Target Group entered into trade receivable factoring arrangements and transferred certain trade receivables amounting to RMB10,018,000, RMB8,471,000 and RMB1,167,000 respectively in 2018, 2017 and 2016 to banks for cash (note 19). In the opinion of the directors, the Target Group retained substantially all risks and rewards of the transferred trade receivables, and accordingly, it continued to recognise the full carrying amounts of the transferred trade receivables and the associated liabilities which were the collateralised bank advances.

The bills receivable are due to mature within two months.

18. CASH AND CASH EQUIVALENTS

	2018	**2017**	**2016**
	RMB'000	*RMB'000*	*RMB'000*
Cash and cash equivalents	158,149	56,583	119,545

Cash at banks earns interest at floating rates based on daily bank deposit rates. The bank balances are deposited with creditworthy banks with no recent history of default.

At the end of 2018, 2017 and 2016, the cash and bank balances of the Target Group denominated in Hong Kong Dollar ("**HK$**") amounted to RMB40,535,000, RMB17,671,000 and RMB57,000 respectively.

19. INTEREST-BEARING BANK AND OTHER BORROWINGS

	2018			2017			2016		
	Effective interest rate (%)	*Maturity*	*RMB'000*	*Effective interest rate (%)*	*Maturity*	*RMB'000*	*Effective interest rate (%)*	*Maturity*	*RMB'000*
Current									
Bank loans – secured	4.68 – LPR+1.58	2019	129,705	Central Bank Base Interest Rate×1.10	2018	77,000	Central Bank Base Interest Rate×1.15	2017	50,000
Other borrowings	–	2019	10,018	–	2018	8,471	–	2017	1,167
			139,723			85,471			51,167

	2018	2017	2016
	RMB'000	*RMB'000*	*RMB'000*
Analysed into:			
Bank loans and overdrafts repayable:			
Within one year	129,705	77,000	50,000
Other borrowings and repayable:			
Within one year	10,018	8,471	1,167
	139,723	85,471	51,167

Notes:

(a) The Target Group's undrawn banking facilities is amounting to RMB130,000,000 (2017: RMB20,000,000, 2016: RMB10,000,000).

(b) Bank loans amounting to RMB129,705,000 at 31 December 2018 (2017: RMB77,000,000, 2016: RMB50,000,000) were secured by certain of the buildings of Shenzhen Yingjia Fashion Co., Ltd. ("**Yingjia Fashion**") situated in Mainland China.

(c) Other borrowings represents bank advance on factored trade receivable. As at 31 December 2018, 2017 and 2016, the factored trade receivables of which the Target Group retained substantially all risk and rewards, and the associated liabilities which were the bank advances from the factored trade receivables, amounted to RMB10,018,000, RMB8,471,000 and RMB1,167,000 respectively.

20. TRADE PAYABLES

An ageing analysis of the trade payables as at 31 December 2018, 2017 and 2016, based on the invoice date, is as follows:

	2018	2017	2016
	RMB'000	*RMB'000*	*RMB'000*
Within 1 month	35,940	24,205	54,369
1 to 2 months	25,021	572	2,050
2 to 3 months	614	91	–
Over 3 months	1,432	224	210
	63,007	25,092	56,629

The trade payables are non-interest-bearing and are normally settled on terms of 30 to 90 days.

21. OTHER PAYABLES AND ACCRUALS

		2018	2017	2016
		RMB'000	*RMB'000*	*RMB'000*
Contract Liabilities	*(a)*	35,011	21,627	11,624
Refund liabilities		2,515	2,508	1,855
Other payables	*(b)*	54,865	82,373	164,276
Due to ultimate shareholder		39,057	13,854	18,006
Taxes payable other than current income taxes liabilities		77,442	44,706	35,305
Payroll payable		37,382	41,062	19,633
Dividend payable		–	90,871	–
		246,272	297,001	250,699

The balances with related parties and ultimate shareholder are unsecured, non-interest-bearing and are repayable on demand.

Notes:

(a) Details of contract liabilities as at 31 December 2018 and 1 January 2018 are as follows:

	31 December 2018	**31 December 2017**	**31 December 2016**
	RMB'000	*RMB'000*	*RMB'000*
Short-term advances received from customers			
Sale of goods	35,011	21,627	11,624

(b) Other payables are non-interest-bearing and have an average term of three months.

22. SHARE CAPITAL

Shares

	2018	**2017**	**2016**
	RMB'000	*RMB'000*	*RMB'000*
Issued and fully paid	7	7	7

23. OPERATING LEASE ARRANGEMENTS

As lessee

The Target Group leases a number of properties under operating leases. The leases typically run for an initial period for 1 to 7 years, at the end of which all terms are renegotiated.

In addition to the minimum rental payments disclosed below, the Target Group has a commitment to pay rent with reference to turnover for certain leased properties. Contingent rentals are not included in the above commitments as it is not possible to estimate the amounts which may be payable.

At 31 December 2018, 2017 and 2016, the Target Group had total future minimum lease payments under non-cancellable operating leases falling due as follows:

	2018	2017	2016
	RMB'000	*RMB'000*	*RMB'000*
Within one year	81,444	34,827	26,182
In the second to fifth years, inclusive	123,928	45,433	8,912
After five years	7,454	–	–
	212,826	80,260	35,094

24. RELATED PARTY TRANSACTIONS

(a) Transactions with related parties

In addition to the transactions detailed elsewhere in the financial statements, the Target Group had the following transactions with related parties during the year ended 31 December 2018, 2017 and 2016:

	2018	2017	2016
	RMB'000	*RMB'000*	*RMB'000*
Purchases of raw materials and products	393,866	517,818	159,841
Processing and manufacturing service fees	48,766	–	31,333
Sales of raw materials	–	274	1,614
	442,632	518,092	192,788

Yingjia Fashion is 53% and 47% owned by Ms. Chen Lingmei and Mr. Jin Jingquan, the husband of Ms. Chen Lingmei respectively.

During the year ended 31 December 2018, 2017 and 2016, the Target Group entered into a purchasing agreement with Yingjia Fashion and two of its subsidiaries (collectively referred to as "**Yingjia Fashion Group**"). The VAT-inclusive purchasing fees incurred to Yingjia Fashion Group amounted to RMB393,866,000, RMB517,818,000 and RMB159,841,000 respectively.

During the year ended 31 December 2018 and 2016, the Target Group entered into a processing agreement with Yingjia Fashion and two of its subsidiaries (collectively referred to as "**Yingjia Fashion Group**"), pursuant to which Yingjia Fashion Group provided processing and manufacturing services to the Target Group. The VAT-inclusive processing fees incurred to Yingjia Fashion Group amounted to RMB48,766,000 and RMB31,333,000 for the year ended 31 December 2018 and 2016.

(b) Other transactions with related parties

During the track record period, the Target Group entered into a lease agreement in respect of certain properties with Yingjia Fashion. The amount of rental incurred during the years ended 2018, 2017 and 2016 was RMB16,886,000, RMB7,912,000, RMB6,128,000.

(c) Outstanding balances with related parties:

(i) As at 31 December 2018, 2017 and 2016, the Target Group had outstanding balances due to Yingjia Fashion Group of RMB11,410,000, RMB3,490,000 and RMB42,458,000 respectively. The balances were mainly for purchasing, processing fee and rental fees. These balances are unsecured, interest-free and is repayable on demand.

(ii) As at 31 December 2017 and 2016, the Target Group had outstanding balances due from Yingjia Fashion Group of RMB1,888,000 and RMB1,614,000 respectively. These balances were mainly for selling raw materials and were included in trade receivables in note 17.

(iii) As at 31 December 2018, 2017 and 2016, the Group had outstanding balances due to the ultimate shareholder Mr. Jin Rui of RMB39,057,000, RMB13,854,000 and RMB18,006,000 respectively. Details of the balances are disclosed in notes 21 to the financial statements.

25. FINANCIAL INSTRUMENTS BY CATEGORY

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

2018

Financial assets	**Financial assets at fair value through profit or loss**		
	Held for trading	**Financial assets at amortised cost**	**Total**
	RMB'000	*RMB'000*	*RMB'000*
Financial assets at fair value through profit or loss	20,000	–	20,000
Trade receivables	–	260,724	260,724
Financial assets included in prepayments, other receivables and other assets *(note 14)*	–	37,515	37,515
Cash and cash equivalents	–	158,149	158,149
	20,000	456,388	476,388

2017

Financial assets	**Financial assets at fair value through profit or loss held for trading**	**Financial assets at amortised cost**	**Total**
	RMB'000	*RMB'000*	*RMB'000*
Financial assets at fair value through profit or loss	18,000	–	18,000
Trade and bills receivables	–	267,117	267,117
Financial assets included in prepayments, other receivables and other assets *(note 14)*	–	36,352	36,352
Cash and cash equivalents	–	56,583	56,583
	18,000	360,052	378,052

2016

Financial assets	**Financial assets at fair value through profit or loss held for trading**	**Financial assets at amortised cost**	**Total**
	RMB'000	*RMB'000*	*RMB'000*
Trade receivables	–	209,481	209,481
Financial assets included in prepayments, other receivables and other assets *(note 14)*	–	41,188	41,188
Cash and cash equivalents	–	119,545	119,545
	–	370,214	370,214

Financial liabilities	**Financial liabilities at amortised cost**		
	2018	**2017**	**2016**
	RMB'000	*RMB'000*	*RMB'000*
Trade payables	63,007	25,092	56,629
Financial liabilities included in other payables and accruals *(note 21)*	93,922	96,227	182,282
Interest-bearing bank and other borrowings	139,723	85,471	51,167
	296,652	206,790	290,078

26. FAIR VALUES AND FAIR VALUE HIERARCHY OF FINANCIAL INSTRUMENTS

The carrying amounts and fair values of the Target Group's instruments, other than those with carrying amounts that reasonably approximate to fair values, are as follows:

	Carrying amounts			**Fair values**		
	2018	**2017**	**2016**	**2018**	**2017**	**2016**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
Financial assets						
Financial assets at fair value through profit or loss	20,000	18,000	–	20,000	18,000	–
	20,000	18,000	–	20,000	18,000	–

	Carrying amounts			**Fair values**		
	2018	**2017**	**2016**	**2018**	**2017**	**2016**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
Financial liabilities						
Interest-bearing bank and other borrowings	139,723	85,471	51,167	139,723	85,471	51,167

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

The Target Group's finance department headed by the finance manager is responsible for determining the policies and procedures for the fair value measurement of financial instruments. The finance manager reports directly to the chief financial officer and the audit committee. At each reporting date, the finance department analyses the movements in the value of financial instruments and determines the major inputs applied in the valuation. The valuation is reviewed and approved by the chief financial officer. The valuation process and results are discussed with the audit committee twice a year for interim and annual financial reporting.

Fair value hierarchy

The following tables illustrate the fair value measurement hierarchy of the Target Group's financial instruments:

Assets measured at fair value

As at 31 December 2018

	Fair value measurement using			
	Quoted prices in active markets Level 1	**Significant observable inputs Level 2**	**Significant unobservable inputs Level 3**	**Total**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Financial assets at fair value through profit or loss	–	20,000	–	20,000

As at 31 December 2017

	Fair value measurement using			
	Quoted prices in active markets Level 1	**Significant observable inputs Level 2**	**Significant unobservable inputs Level 3**	**Total**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Financial assets at fair value through profit or loss	–	18,000	–	18,000

The Target Group did not have any financial assets measured at fair value as at 31 December 2016.

Liabilities measured at fair value

As at 31 December 2018

	Fair value measurement using			
	Quoted prices in active markets Leaver 1	**Significant observable inputs Leaver 2**	**Significant unobservable inputs Leaver 3**	**Total**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Interest-bearing bank and other borrowings	–	139,723	–	139,723

As at 31 December 2017

	Fair value measurement using			
	Quoted prices in active markets Leaver 1	**Significant observable inputs Leaver 2**	**Significant unobservable inputs Leaver 3**	**Total**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Interest-bearing bank and other borrowings	–	85,471	–	85,471

As at 31 December 2016

	Fair value measurement using			
	Quoted prices in active markets Leaver 1	**Significant observable inputs Leaver 2**	**Significant unobservable inputs Leaver 3**	**Total**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Interest-bearing bank and other borrowings	–	51,167	–	51,167

27. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES

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

The main risks arising from the Target Group's financial instruments are interest rate risk, foreign currency risk, credit risk and liquidity risk. The Directors review and agree policies for managing each of these risks and they are summarised below:

Interest rate risk

The Target Group's interest rate risk arises primarily from bank borrowings. Bank borrowings issued at variable rates expose the Target Group to cash flow interest rate risk.

The following table demonstrates the sensitivity to a reasonably possible change in interest rates, with all other variables held constant, of the Group's profit before tax (through the impact on floating rate borrowings) and the Group's equity.

	Increase/ (decrease) in basis points	Increase/ (decrease) in profit before tax	Increase/ (decrease) in equity
		RMB'000	*RMB'000*
2018			
RMB	100	(878)	(878)
RMB	(100)	878	878
2017			
RMB	100	(398)	(398)
RMB	(100)	398	398
2016			
RMB	100	(224)	(244)
RMB	(100)	224	244

Foreign currency risk

All of the Target Group's turnover and substantially all of the Target Group's cost of sales and operating expenses are denominated in RMB. Accordingly, the transactional currency exposures of the Target Group are not significant.

Credit risk

The Target Group's trade and other receivables primarily comprise of amounts receivable from the owners of department stores and shopping malls in the PRC with no recent history of material defaults. The Target Group's exposure to credit risk is influenced mainly by the individual characteristics of each department stores and shopping malls. The Target Group has worked with a large number of department stores and shopping malls and there is no significant concentration of credit risk. The Target Group performed credit evaluation which focuses on the debtor's past history of making payments and current ability to pay.

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 Target Group does not provide any other guarantees which would expose the Target Group to credit risk.

Non-current rental deposits were paid to owners of department stores and shopping malls. The Board of Directors consider that the amounts are fully recoverable considering their creditworthiness.

Maximum exposure and year-end staging

The table below shows the credit quality and the maximum exposure to credit risk based on the Target Group's credit policy, which is mainly based on past due information unless other information is available without undue cost or effort, and year-end staging classification as at the end of the Track Record Period. The amounts presented are gross carrying amounts for financial assets.

	31 December 2018				
	12-month ECLs	Lifetime ECLs			
	Stage 1	Stage 2	Stage 3	Simplified approach	
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
Trade receivables*	–	–	–	260,724	260,724
Financial assets included in prepayments, other receivables and other assets					
– Normal **	37,515	–	–	–	37,515
Cash and cash equivalents					
– Not yet past due	158,149	–	–	–	158,149
	195,664	–	–	260,724	456,388

	31 December 2017				
	12-month ECLs	Lifetime ECLs			
	Stage 1	Stage 2	Stage 3	Simplified approach	
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
Trade and bills receivables*	–	–	–	267,117	267,117
Financial assets included in prepayments, other receivables and other assets					
– Normal **	36,353	–	–	–	36,353
Cash and cash equivalents					
– Not yet past due	56,583	–	–	–	56,583
	92,936	–	–	267,117	360,053

	31 December 2016				
	12-month ECLs	Lifetime ECLs			
	Stage 1	Stage 2	Stage 3	Simplified approach	
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
Trade receivables*	–	–	–	209,481	209,481
Financial assets included in prepayments, other receivables and other assets					
– Normal **	41,188	–	–	–	41,188
Cash and cash equivalents					
– Not yet past due	119,545	–	–	–	119,545
	160,733	–	–	209,481	370,214

* For trade receivables to which the Target Group applies the simplified approach for impairment, information is disclosed in note 17 to the financial statements.

** The credit quality of the financial assets included in prepayments, other receivables and other assets is considered to be "normal" when they are not past due and there is no information indicating that the financial assets had a significant increase in credit risk since initial recognition. Otherwise, the credit quality of the financial assets is considered to be "doubtful".

Liquidity risk

The Target Group monitors its exposure to liquidity risk by monitoring the current ratio, which is calculated by comparing the current assets with the current liabilities.

The Target Group's policy is to maintain a balance between continuity of funding and flexibility through the use of bank loans.

The maturity profile of the Target Group's financial liabilities at the end of the Track Record Period, based on the contractual undiscounted payments, is as follows:

	31 December 2018		
	On demand	**Less than 1 year**	**Total**
	RMB'000	*RMB'000*	*RMB'000*
Interest-bearing bank and other borrowings	–	146,516	146,516
Trade payables	–	63,007	63,007
Financial liabilities included in other payables and accruals	39,057	54,865	93,922
	39,057	264,388	303,445

	31 December 2017		
	On demand	**Less than 1 year**	**Total**
	RMB'000	*RMB'000*	*RMB'000*
Interest-bearing bank and other borrowings	–	89,155	89,155
Trade payables	–	25,092	25,092
Financial liabilities included in other payables and accruals	13,854	82,373	96,227
	13,854	196,620	210,474

	31 December 2016		
	On demand	**Less than 1 year**	**Total**
	RMB'000	*RMB'000*	*RMB'000*
Interest-bearing bank and other borrowings	–	53,668	53,668
Trade payables	–	56,629	56,629
Financial liabilities included in other payables and accruals	18,006	164,276	182,282
	18,006	274,573	292,579

Capital management

The primary objectives of the Target Group's capital management are to safeguard the Target Group's ability to continue as a going concern and to maintain healthy capital ratios in order to support its business and shareholders' value. The Target Group manages its capital structure and makes adjustments to it in light of changes in economic conditions. To maintain or adjust the capital structure, the Target Group may adjust the dividend payment to shareholders, return capital to shareholders or issue new shares. No changes were made in the objectives, policies or processes for managing capital during the reporting period.

The Target Group monitors capital using a gearing ratio, which is net debt divided by capital plus net debt. Net debt includes trade payables, other payables and interest-bearing bank borrowings less cash and cash equivalents. Capital represents equity attributable to owners of the parent. The gearing ratios as at the end of the reporting periods were as follows:

	2018	**2017**	**2016**
	RMB'000	*RMB'000*	*RMB'000*
Interest-bearing bank and other borrowings	139,723	85,471	51,167
Trade payables	63,007	25,092	56,629
Other payables and accruals	93,922	96,227	182,282
Less: Cash and cash equivalents	(158,149)	(56,583)	(119,545)
Net debt	138,503	150,207	170,533
Capital – equity attributable to owners of the parent	333,631	223,882	211,891
Capital and net debt	472,134	374,089	382,424
Gearing ratio	29%	40%	45%

28. STATEMENT OF FINANCIAL POSITION OF THE TARGET COMPANY

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

	Note	2018 RMB'000	2017 RMB'000	2016 RMB'000
NON-CURRENT ASSETS				
Long-term investment		1	1	1
Total non-current assets		1	1	1
CURRENT ASSETS				
Prepayments, other receivables and other assets		7	7	7
Total current assets		7	7	7
CURRENT LIABILITIES				
Other payables and accruals		29	10	10
Total current liabilities		29	10	10
NET CURRENT LIABILITIES		(22)	(3)	(3)
TOTAL ASSETS LESS CURRENT LIABILITIES		(21)	(2)	(2)
Net liabilities		(21)	(2)	(2)
EQUITY				
Share capital		7	7	7
Deficits	*28*	(28)	(9)	(9)
Total equity		(21)	(2)	(2)

A summary of the Target Company's deficits is as follows:

	Share capital	**(Accumulated loss)**	**Total**
	RMB'000 *(note 22)*	*RMB'000*	*RMB'000*
At 1 January 2016	7	(4)	3
Loss for the year	–	(5)	(5)
At 31 December 2016 and at 1 January 2017	7	(9)	(2)
Profit for the year	–	–	–
At 31 December 2017 and at 1 January 2018	7	(9)	(2)
Loss for the year	–	(19)	(19)
At 31 December 2018	7	(28)	(21)

29. SUBSEQUENT FINANCIAL STATEMENTS

No audited financial statements have been prepared by the Target Company, the Target Group or any of the companies now comprises the Target Group in respect of any period subsequent to 31 December 2018.

1. MANAGEMENT DISCUSSION AND ANALYSIS ON THE TARGET GROUP

Set out below is the management discussion and analysis of the Target Group for the three years ended 31 December 2016, 31 December 2017 and 31 December 2018 (the "**Relevant Periods**").

2. FINANCIAL AND BUSINESS PERFORMANCE

Set out below is the financial performance of the Target Group for the Relevant Periods:

	Year ended 31 December		
	2018	**2017**	**2016**
	RMB'000	*RMB'000*	*RMB'000*
REVENUE	2,017,105	1,723,307	1,290,403
Cost of sales	(589,695)	(552,062)	(409,609)
Gross profit	1,427,410	1,171,245	880,794
Other income and gains, net	12,867	11,284	1,487
Selling and distribution expenses	(1,122,712)	(972,594)	(665,108)
Administrative expenses	(95,377)	(72,258)	(55,860)
Impairment losses on financial assets	(306)	–	–
Other expenses	(1,048)	(84)	–
Finance cost	(3,658)	(2,933)	(1,308)
PROFIT BEFORE TAX	217,176	134,660	160,005
Income tax expenses	(54,911)	(30,789)	(40,006)
PROFIT FOR THE YEAR	162,265	103,871	119,999

Revenue

The principal activities of the Target Group are design, retail and wholesale of womenswear in the PRC. The Target Group's revenue is generated primarily from (a) retail sales to end customers in our self-operated retail stores; (b) sales on third party e-commerce platforms; (c) wholesales to distributors, who in turn sell our products to end customers through the retail stores operated by them; and (d) other sales which were mainly derived from staff sales or direct sales through promotional activities outside their retail stores. Revenue represents the sales value of goods sold, excluding VAT and other sales taxes, less sales returns and trading discounts. Revenues of the Target Group for the three years ended 31 December 2018, 2017 and 2016 were RMB2,017 million, RMB1,723 million and RMB1,290 million respectively. The increase in revenue was primarily attributable to the increased revenue from the Target Company's self-operated retail and distributors. The number of retails stores for the three years ended 31 December 2018, 2017 and 2016 were

641, 548 and 410 respectively, which is in line with the Target Group's strategy to grow its business and sales network predominantly through the expansion of the number of its self-operated retail stores. Sales generated by Target Group's self-operated retail stores accounted for about 86%, 92% and 97.7% of its total revenue in 2018, 2017 and 2016 respectively.

Total revenue from e-commerce of the Target Group for the three years ended 31 December 2018, 2017 and 2016 were RMB135 million, RMB58 million and RMB15 million respectively, primarily due to an increase in sales of the Target Group's products through online retail stores, which was driven by an increase in expenditure on advertising and promotion through e-commerce platforms and search engines in the PRC as well as its effort in developing their online retail stores through the expansion of its e-commerce team and establishment of a business division dedicated to the e-commerce business.

Total revenue from distributors of the Target Group for the three years ended 31 December 2018, 2017 and 2016 were RMB126 million, RMB76 million and RMB13 million respectively, mainly due to increased number of distributors to expand sales network in third and fourth cities in the PRC. The number of stores acting as distributors for the three years ended 31 December 2018, 2017 and 2016 were 117, 73 and 14 respectively.

Cost of sales

The cost of sales of the Target Group for the three years ended 31 December 2018, 2017 and 2016 were RMB590 million, RMB552 million and RMB410 million respectively, mainly due to the increase in the cost of inventories sold as a result of the growth of the sales of the Target Group.

Gross profit and gross profit margin

Gross profit of the Target Group for the three years ended 31 December 2018, 2017 and 2016 were RMB1,427 million, RMB1,171 million and RMB881 million respectively. The Target Group's overall gross profit margin slightly increased from 68% for both 2016 and 2017 to 71% for 2018, which was primarily attributable to (i) expansion of the Target Group's retail network; (ii) changes in gross profit margin mix of its brands.

Net profit and profit margin

As a result of the foregoing factors, the net profit of the Target Group attributable to shareholders for the years ended 31 December 2018, 2017 and 2016 were RMB162 million, RMB104 million and RMB120 million respectively. Net profit margins were 8%, 6% and 9% for the years ended 31 December of 2018, 2017 and 2016 respectively.

The net profit decreased by 13% from 2016 to 2017, mainly due to the increase in certain selling and distribution expenses such as (a) increase in salaries and staff for sales and marketing staff due to the expansion of retail stores and improvement in remuneration; and (b) the increase in store concession fee as result of the increase in sales.

The net profit increased by 56% from 2017 to 2018, mainly due to the increase in the outsourced production as a result of reduction of unit cost of cost of sales.

Other income and gains, net

Other income and gains, net of the Target Company for the three years ended 31 December 2018, 2017 and 2016 were RMB13 million, RMB11 million and RMB1 million respectively. The increase in other income and gains, net was mainly due to the increase in subsidy income for the three years ended 31 December 2018, 2017 and 2016 in the amount of RMB11 million, RMB8 million and RMB1 million respectively. Subsidy income represents various government grants received from the relevant government authorities to support the development of the Target Group in the PRC.

Selling and distribution expenses

Selling and distribution expenses for the three years ended 31 December 2018, 2017 and 2016 were RMB1,123 million, RMB973 million and RMB665 million respectively. The increase in selling and distribution expenses was primarily due to (a) the increase in store concession fees as a result of the increase in sales; (b) the increase in salaries and staff benefits for sales and marketing staff due to the expansion of retail stores and improvement in remuneration; (c) the increase in advertising and brand building and promotion expenses, which are in line with the expansion of our sales network as well as business growth; and (d) the increase in rental expenses due to increase in number of stores.

Administrative expenses

Administrative expenses for the three years ended 31 December 2018, 2017 and 2016 were RMB95 million, RMB72 million and RMB56 million respectively. The increase in administrative expenses was primarily due to (a) the increase in salaries and benefits for our administrative staff as we expanded our business and increased the head-count of our administrative staff; and (b) the increase in research and development costs associated with existing brands.

Impairment losses on financial assets

As at 31 December 2018, the allowance for credit losses is related to individually impaired receivables amounting to RMB306,000. The management considers that such receivables is not recoverable since the customers are in severe financial liabilities. As a consequence, allowance for expected credit losses of RMB306,000 has been recognised in respect of such receivables.

Other expenses

Other expenses consists primarily of exchange loss on bank balance, loss on disposal of fixed assets and uncollectible deposit.

Other expenses of the Target Company for the years ended 31 December 2018 and 2017 were RMB1,048,000 and RMB84,000 respectively. The other expenses increased from 2017 to 2018 mainly due to the increase in exchange loss on bank balance.

Finance costs

Finance costs for the three years ended 31 December 2018, 2017 and 2016 were RMB4 million, RMB 3 million and RMB1 million respectively. The increase in finance costs was mainly due to increase in bank borrowings made by the Target Group in the PRC.

Income tax expenses

Income tax expenses for the year ended 31 December 2018, 2017 and 2016 were RMB55 million, RMB 31 million and RMB 40 million respectively. The decrease in income tax expenses from 2016 to 2017 was mainly due to the decrease in operating profit and the increase in income tax expenses from 2017 to 2018 was mainly due to increase in operating profit.

3. CAPITAL STRUCTURE, LIQUIDITY AND FINANCIAL RESOURCES

Set out below is the current assets and liabilities of the Target Group for the relevant periods:

	Year ended 31 December		
	2018	**2017**	**2016**
	RMB'000	*RMB'000*	*RMB'000*
Current assets			
Inventories	325,143	227,779	191,070
Trade and bills receivables	260,724	267,117	209,481
Prepayments, other receivables and other assets	34,475	50,862	44,757
Financial assets at fair value through profit or loss	20,000	18,000	–
Cash and cash equivalents	158,149	56,583	119,545
Total current assets	798,491	620,341	564,853
Non-current assets			
Property, plant and equipment	36,501	34,167	17,969
Intangible assets	931	1,193	265
Prepayments, other receivables and other assets	16,189	10,581	3,728
Deferred tax assets	5,819	7,790	10,882
Total non-current assets	59,440	53,731	32,844
Current liabilities			
Interest-bearing bank and other borrowings	139,723	85,471	51,167
Trade payables	63,007	25,092	56,629
Other payables and accruals	246,272	297,001	250,699
Tax payable	75,298	42,626	27,311
Total current liabilities	524,300	450,190	385,806
Net current assets	274,191	170,151	179,047
Total assets less current liabilities	333,631	223,882	211,891
Net assets	333,631	223,882	211,891

Capital structure

The Target Group requires working capital to support its design and development, retail and other business operations. For the three years ended 31 December 2018, 2017 and 2016, the Target Group's total current assets were RMB798 million, RMB620 million and RMB565 million respectively, total current liabilities were RMB524 million, RMB450 million and RMB386 million respectively, and the current ratio were 1.5, 1.4 and 1.5 respectively. The Target Group's Directors believe that this healthy capital structure and the net cash inflow from operating activities are sufficient to support the operating activities of the Target Group.

As at 31 December 2018, the Target Group's interest bearing loans are bank loans denominated in Renminbi which included RMB140 million bank loans at variable interest rate which will expire within one year.

Financial position, liquidity

The Target Group manages its capital to ensure that it will be able to continue as a going concern while maximising the return to stakeholders through the optimisation of the debt and equity balance. The Target Group manages its capital structure and makes adjustments according to changes to its level of operations. During the Relevant Periods, the Target Group mainly financed its operation by obtaining funding from its shareholders and interest bearing bank borrowings.

The net assets of the Target Group amounted to approximately RMB333 million, RMB223 million and RMB211 million as at 31 December 2018, 2017 and 2016 respectively. For the three years ended 31 December 2018, 2017 and 2016, the Target Group's cash and cash equivalents were RMB158 million, RMB57 million and RMB120 million respectively, denominated as to 74% in RMB and 26% in Hong Kong dollar for 2018, 69% in RMB and 31% in Hong Kong dollar for 2017 and 100% in RMB for 2016. The net cash flows from operating activities generated were RMB200 million and RMB88 million for the years ended 31 December 2018 and 2016 and net used in operating activities was RMB62 million for the year ended 31 December 2017.

The Target Group had outstanding borrowings with principal amount of RMB140 million, RMB85 million and RMB51 million as at 31 December 2018, 2017 and 2016 respectively, due to increase the working capital to support its design and development, retail and other business operations.

4. GEARING RATIO

For the three years ended 31 December 2018, 2017 and 2016, the gearing ratio (i.e. outstanding bank loans divided by total equity) were 42%, 38% and 24% respectively.

The increase in gearing ratio was mainly due to the increase in borrowings with principal amount of RMB140 million, RMB85 million and RMB51 million as at 31 December 2018, 2017 and 2016 respectively.

5. LIQUIDITY RISKS

Individual operating entities within the Target 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 Target 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 terms.

6. INTEREST RATE RISKS

The Target Group's interest rate risk arises primarily from bank borrowings. Bank borrowings issued at variable rates expose the Target Group to cash flow interest rate risk. The Target Group normally borrows short-term bank loans which have short-term maturity within one year in order to limit its exposure to interest rate risk.

7. CREDIT RISKS

The Target Group sold substantially all their products directly to end-consumers through their self-operated retail stores in shopping malls and department stores in the PRC. Proceeds from the sales made in these leased retails stores are mainly collected by the department stores and the shopping malls on their behalf, and then the Target Group issue invoices and offer from 30 to 90 days. However, there is no assurance that they will be able to fully recover their receivables from their shopping malls and department stores, or that they will be settled on a timely basis.

8. FOREIGN CURRENCY RISKS

All of the Target Group's turnover and substantially all of the Target Group's cost of sales and operating expenses are denominated in RMB. Accordingly, the foreign currency risks are not significant.

9. CONTINGENT LIABILITIES

For the three years ended 31 December 2018, 2017 and 2016, the Target Group had no significant contingent liabilities.

10. MATERIAL INVESTMENTS, ACQUISITIONS OR DISPOSALS

The Target Group did not have any material acquisition or disposal of subsidiaries, associates and joint ventures during the three years ended 31 December 2018, 2017 and 2016.

11. FUTURE PLANS

The Target Group will maintain its proactive strategies and tap into the capital advantage to invest more on brand marketing and promotion, product innovation and design as well as sales networks. In addition, the Target Group will seek acquisition opportunities which can expand the brand mix to satisfy the growing needs and demands of customers in a broader prospective. Meanwhile, the Target Group will further develop its e-commerce business and design more specific online products, so as to fully leverage the advantage of the platform.

12. EMPLOYEES AND REMUNERATION POLICIES

For the three years ended 31 December 2018, 2017 and 2016, the Target Group employed 3,975, 3,819, and 3,131 employees respectively. The Target Group has implemented various programs for staff training and development, focusing on the training of sales and marketing skills. They provide competitive salary and welfare package for our staff. For the three years ended 31 December 2018, 2017 and 2016, the total salary and welfare expenses were RMB387 million, RMB333 million and RMB233 million respectively.

13. LITIGATION

As at the Latest Practicable Date, there was no litigation or claim of material importance known to the Directors to be pending or threatened against any member of the Target Group.

14. CHARGES OF THE ASSETS

As at 31 December 2018, the bank borrowings of the Target Group in the principal amount of RMB139,723,000 of which RMB129,705,000 (2017: RMB77,000,000, 2016: RMB50,000,000) were secured by certain of the buildings of Shenzhen Yingjia Fashion Co., Ltd. ("**Yingjia Fashion**") situated in Mainland China. Yingjia Fashion is a connected person owned as to 53% and 47% by Ms. Chen Lingmei and Mr. Jin Jingquan respectively.

(A) UNAUDITED PRO FORMA FINANCIAL INFORMATION OF THE ENLARGED GROUP

This unaudited pro forma consolidated statement of financial position (the "**Unaudited Pro Forma Financial Information**") below has been prepared for the purpose of providing Shareholders with information about the impact of the Acquisition and the Subscription by illustrating how the Acquisition and the Subscription might have affected the financial position of the Group as at 31 December 2018, had completion of the Acquisition and the Subscription taken place on 31 December 2018.

The Unaudited Pro Forma Financial Information has been prepared based on a number of assumptions, estimates and uncertainties. Accordingly, the Unaudited Pro Forma Financial Information does not purport to describe the actual financial position of the Enlarged Group that would have been attained had the Acquisition and the Subscription been completed on 31 December 2018. Neither does the Unaudited Pro Forma Financial Information purports to predict the future financial position of the Enlarged Group.

This Unaudited Pro Forma Financial Information has been prepared for illustrative purposes only and because of its nature, it may not give a true picture of the financial position of the Enlarged Group following the completion of the Acquisition and the Subscription.

	The Group as at 31 December 2018	**The Target Group as at 31 December 2018**	**Pro forma adjustments**		**Pro forma Enlarged Group**
	RMB'000	*RMB'000*	*RMB'000*	*Notes*	*RMB'000*
NON-CURRENT ASSETS					
Property, plant and equipment	155,435	36,501			191,936
Intangible assets	21,780	931	590,500	2(a)	613,211
Goodwill	21,681	–	1,231,532	2(a)	1,253,213
Prepayments, other receivables and other assets	21,736	16,189			37,925
Equity investments designated at fair value through other comprehensive income	43,277	–			43,277
Deferred tax assets	17,852	5,819			23,671
Total non-current assets	281,761	59,440			2,163,233
CURRENT ASSETS					
Inventories	460,634	325,143			785,777
Trade receivables	304,117	260,724			564,841
Prepayments, other receivables and other assets	65,087	34,475			99,562
Financial assets at fair value through profit or loss	30,000	20,000			50,000
Cash and cash equivalents	613,376	158,149	(427,600)	2(a)	343,925
Total current assets	1,473,214	798,491			1,844,105

	The Group as at 31 December 2018	The Target Group as at 31 December 2018	Pro forma adjustments		Pro forma Enlarged Group
	RMB'000	*RMB'000*	*RMB'000*	*Notes*	*RMB'000*
CURRENT LIABILITIES					
Interest-bearing bank and other borrowings	76,260	139,723			215,983
Trade payables	102,682	63,007			165,689
Other payables and accruals	238,291	246,272			484,563
Tax payable	68,654	75,298			143,952
Total current liabilities	485,887	524,300			1,010,187
NET CURRENT ASSETS	987,327	274,191			833,918
TOTAL ASSETS LESS CURRENT LIABILITIES	1,269,088	333,631			2,997,151
NON-CURRENT LIABILITIES					
Deferred tax liabilities	8,072	–	147,625	*2(a)*	155,697
Interest-bearing bank borrowings	21,905	–			21,905
Total non-current liabilities	29,977	–			177,602
Net Assets	1,239,111	333,631			2,819,549
EQUITY					
Equity attributable to owners of the parent					
Share capital	3,859	7	(7)	*2(c)*	3,859
			1,699	*2(a)*	1,699
Reserves	1,214,866	333,624	(333,624)	*2(c)*	1,214,866
			1,578,739	*2(a)*	1,578,739
	1,218,725	333,631			2,799,163
Non-controlling interests	20,386	–			20,386
Total equity	1,239,111	333,631			2,819,549

Notes:

1. Basis of preparation

This Unaudited Pro Forma Financial Information has been prepared in accordance with Rule 4.29 of the Listing Rules and based upon: (i) the consolidated statement of financial position of the Group as of 31 December 2018, which has been extracted from the annual report for the year ended 31 December 2018 of the Company included in Appendix I to this circular; and (ii) the audited consolidated statement of financial position of the Target Group as of 31 December 2018, which has been extracted from the accountants' report on the Target Group included in Appendix II to this circular; and adjusted in accordance with the pro forma adjustments described in note 2 below, as if the Acquisition and the Subscription had been completed on 31 December 2018.

This Unaudited Pro Forma Financial Information has been prepared in a manner consistent with both the format and accounting policies adopted by the Company in its financial statements for the year ended 31 December 2018.

2. Notes to the pro forma adjustments

(a) Under International Financial Reporting Standard 3 Business Combinations ("**IFRS 3**") issued by the International Accounting Standards Board (the "**IASB**"), the Group will apply the acquisition method to account for the Acquisition in its consolidated financial statements.

In accordance with the Acquisition Agreements, the Total Consideration for the Acquisition amounted to HK$2,387,775,349 (equivalent to approximately RMB2,042,025,481) is to be satisfied as to:

1. HK$500,000,000 (equivalent to approximately RMB427,600,000) by cash payable by the Company to the Vendor; and

2. HK$ 1,887,775,349 (equivalent to approximately RMB1,614,425,481) by way of allotment and issue of 198,713,195 Consideration Shares at the Issue Price of HK$9.5 per Consideration Share.

For the purpose of this Unaudited Pro Forma Financial Information, the Directors have assumed that the Consideration Shares are issued at HK$9.3 per Share, being the closing price as quoted on the Stock Exchange on 25 March 2019 (the date of the Acquisition Agreements). The Directors have also performed an assessment of the fair value of each of the identified assets and liabilities of the Target as at 31 December 2018 for purchase price allocation purpose as required under IFRS 3.

The actual fair values of the assets and the liabilities will be determined as of the date of Acquisition and may differ materially from the amounts disclosed in the unaudited pro forma financial information because of changes in fair values of the assets and liabilities as further analysis is completed. Consequently, the actual allocation of the purchase price will likely result in different amounts than those in the unaudited pro forma financial information.

The fair values of the identifiable assets and liabilities of the Target, as assessed by the Directors, the fair value of the Total Consideration and the goodwill so arising from the Acquisition Completion are as follows:

	Notes	**Carrying value** *RMB'000*	**Fair value** *RMB'000*
Property, plant and equipment	*(i)*	36,501	36,501
Intangible assets	*(iii)*	931	591,431
Prepayments, other receivables and other assets		16,189	16,189
Deferred tax assets		5,819	5,819
Inventories	*(ii)*	325,143	325,143
Trade receivables		260,724	260,724
Prepayments, other receivables and other assets		34,475	34,475
Financial assets at fair value through profit or loss		20,000	20,000
Cash and cash equivalents		158,149	158,149
Interest-bearing bank and other borrowings		(139,723)	(139,723)
Trade payables		(63,007)	(63,007)
Other payables and accruals		(246,272)	(246,272)
Tax payable		(75,298)	(75,298)
Effect of deferred tax liability estimated at the tax rate of 25%		–	(147,625)
		333,631	776,506
Goodwill			1,231,532
Total consideration			2,008,038

To be satisfied by

		Face value *RMB'000*	**Fair value** *RMB'000*
Cash consideration		427,600	427,600
Consideration shares	*(iv)*	1,614,425	1,580,438
		2,042,025	2,008,038

Notes:

(i) Property, plant and equipment included lease hold improvements, motor vehicles, furniture fittings and other equipment with book values of RMB35,297,000, RMB71,000 and RMB1,133,000, respectively. In the opinion of the Directors, the fair value of the Target Group's property, plant and equipment approximate to their book value as of 31 December 2018.

(ii) Inventories included raw materials, work in progress and finished goods in the amount of RMB66,909,000, RMB2,922,000 and RMB255,312,000, respectively. In the opinion of the directors, their fair values are approximate to their book values, therefore, no fair value adjustment is required for the purpose of this Unaudited Pro Forma Financial Information.

(iii) Intangible assets other than goodwill comprised the brand name and the purchased computer software. The brand name is separately identified through an independent valuation arising from the Acquisition and is estimated to be recognised initially on the completion date of the acquisition at the fair value amount of RMB590,500,000. The brand name will be classified as intangible assets with indefinite useful life. The purchased computer software amounted to RMB931,000. The computer software is stated at cost less impairment loss and is amortised on the straight-line basis over its estimated life of 2 to 5 years.

The independent valuation of the brand name was conducted by AVISTA Valuation Advisory Limited, an independent corporate advisory firm, adopting the relief-from-royalty method, a commonly adopted methodology for the valuation of brand name by reference to the hypothetical royalty payments that would be saved through owning the brand name, as compared to licensing the brand name from a third party, and assuming the royalty rate of 3.2%, with indefinite useful life and discount rate of 15.6%. AVISTA Valuation Advisory Limited has among their staff, members of the Hong Kong Institute of Surveyors, the Royal Institution of Chartered Surveyors and CPA Australia, with recent experience in the location and category of assets being valued.

According to the Group's accounting policies, the Group assessed whether there are any indicators of impairment for all non-financial assets at the end of each reporting period. Indefinite life intangible assets are tested for impairment annually and at other times when such an indicator exits. Other non-financial assets are tested for impairment are tested for impairment when there are indicators that the carrying amounts may not be recoverable.

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

The Directors of the Company do not consider that there was any indication that the computer software acquired may be impaired after the internal assessment on the function and operation of the computer software.

In the preparation of the Unaudited Pro Forma Financial Information, the Company had performed an impairment assessment of the brand name identified through the Acquisition in accordance with International Accounting Standard 36 Impairment of Assets ("**IAS36**") and the Group's accounting policy. Based on the impairment assessment and the reference to the valuer report, the directors of the Company do not consider that the brand name may be impaired.

(iv) The fair value of the Consideration Shares is calculated based on the closing price of HK$9.3 per Share as quoted on the Stock Exchange on 25 March 2019 (the date of the Acquisition Agreements) and 198,713,195 Consideration Shares, which increases the equity of the Company as follows:

	RMB *'000*
Share capital	1,699
Reserve-Share premium	1,578,739
	1,580,438

Since the fair values of the identifiable net assets of the Target Group and the Total Consideration as at the date of the Acquisition Completion may be materially different from their respective values used in the preparation of the Unaudited Pro Forma Financial Information, the final amounts of the assets, liabilities and goodwill to be recognised in connection with the Acquisition Completion may be materially different from the estimated amounts as shown above.

(b) This adjustment represents the effect of the Subscription, assuming that a total of 198,713,195 Shares are subscribed at HK$9.3 per Shares at an aggregate consideration of 1,580,438,000 which results in the increase in share capital and share premium by RMB1,699,000 and 1,578,739,000, respectively.

(c) This adjustment represents the elimination of the share capital and pre-acquisition reserves of the Target Group.

(d) In the preparation of the Unaudited Pro Forma Financial Information, the Company has performed an impairment assessment of the goodwill in accordance with International Accounting Standard 36 Impairment of Assets ("**IAS 36**") and the Group's accounting policy. Based on the impairment test, the recoverable amount of the cash-generating unit in which the Target Group is assigned (the "**Target CGU**") is RMB2,281,652,000, which is determined based on the valuation conducted by Avista Valuation Advisory, an independent professional valuer, whose valuation report is included in Appendix V to this circular. This recoverable amount exceeds the carrying amount of the Target CGU of RMB2,008,038,000, which comprises goodwill of RMB1,231,532,000 and the net asset value of the Target Group RMB776,506,000. Therefore, no pro forma adjustment in respect of goodwill impairment is considered necessary by the Directors in the preparation of the Unaudited Pro Forma Financial Information. The principal assumptions of the assessment of impairment of goodwill include: (i) no material adverse changes in the fair values of the assets and liabilities and the operations of the Target Group; (ii) the identifiable assets and liabilities of the Target Group can be realised at their book values; and (iii) the fair value of the Consideration Shares approximates to the closing price of the Shares on 25 March, 2019.

As mentioned in note 2(a)(iii) above, for the purpose of this Unaudited Pro Forma Financial Information, the fair value of the Consideration Shares is calculated based on the closing price of the Shares as quoted on the Stock Exchange on the date of the Acquisition Agreements. In accordance with IFRS 3, the fair value of the Consideration Shares should be measured at their fair value on the completion date of the acquisition. As such, the fair value of the Consideration Shares is subject to change and shall be measured at the fair value of the Shares on the date of the Acquisition Completion and accordingly, the goodwill so calculated may be materially different from that used in the impairment test above and potential impairment adjustment may be required when the carrying amount of the Target CGU (including the goodwill) exceeds its recoverable amount.

(e) Excluding the brand name and goodwill, and the financial assets at fair value through profit or loss which had been stated at fair value, the Target's Group's identifiable assets comprised property, plant and equipment, deferred tax assets, prepayments, other receivables and other assets, inventories, trade receivables, cash and cash equivalents. In the opinion of the Directors, the fair value the above assets are approximately to their book value with reference to the Director's Industry knowledge and the Director's intention to continually manage the normal operation of the assets thereon the completion date of the acquisition.

(f) In connection with the unaudited Pro Forma Financial Information, the reporting accountants conducted their work in accordance with Hong Kong Standard on Assurance Engagements (HKSAE) 3420 "Assurance Engagements to Report on the Compilation of Pro Forma Financial Information Included in a Prospectus" issued by the HKICPA and their report is set forth in this unaudited Pro Forma Financial Information. In reporting on the pro forma financial information, the reporting accountants considered that the basis on which the pro forma financial information has been prepared is consistent with the Group's accounting policies, including the accounting policies related to impairment assessment on goodwill and other identifiable intangible assets.

(g) No other adjustment has been made to the Unaudited Pro Forma Financial Information to reflect any trading results or other transactions of the Group and the Target Group entered into subsequent to 31 December 2018.

(h) The Directors confirm that the Company will adopt consistent accounting policies, valuation method and principal assumptions as used in the Unaudited Pro Forma Financial Information to assess the impairment of the Enlarged Group's other intangible assets in the future financial period.

(B) REPORT ON UNAUDITED PRO FORMA FINANCIAL INFORMATION OF THE ENLARGED GROUP

The following is the text of a report from Ernst & Young, Certified Public Accountants, Hong Kong, in respect of the unaudited pro forma financial information of the Enlarged Groups set out in this appendix and prepared for the purpose of incorporation in this circular.

Ernst & Young
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Central, Hong Kong

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29 April 2019

The Directors
Koradior Holdings Limited

Dear Sirs,

We have completed our assurance engagement to report on the compilation of unaudited pro forma financial information of Koradior Holdings Limited (the "**Company**") and its subsidiaries (hereinafter collectively referred to as the "**Group**"), and Keen Reach Holdings Limited and its subsidiaries (together with the Group hereafter collectively referred to as the "**Enlarged Group**") by the directors of the Company (the "**Directors**") for illustrative purposes only. The unaudited pro forma financial information consists of The unaudited pro forma statement of assets and liabilities of the Enlarged Group (the "**Unaudited Pro Forma Financial Information**"). The applicable criteria on the basis of which the Directors have compiled the Unaudited Pro Forma Financial Information are described in notes (1) to (2) to Appendix IV to the circular of the Company dated 29 April 2019 (the "**Circular**").

The Unaudited Pro Forma Financial Information has been compiled by the Directors, for illustrative purpose only, to provide information about how the acquisition of the Target Group by the Company might have affected the financial position of the Group as if the transaction had taken place at 31 December 2018. As part of this process, the consolidated statement of financial position of the Group as at 31 December 2018 has been extracted by the Directors from the annual report of the Company for the period ended 31 December 2018 dated 17 April 2019 and the audited financial information of the Target Group as at 31 December 2018 has been extracted by the Directors from the accountants' report on the Target Group as set out in Appendix II to the Circular.

Directors' responsibility for the Unaudited Pro Forma Financial Information

The Directors are responsible for compiling the Unaudited Pro Forma Financial Information in accordance with paragraph 4.29 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "**Listing Rules**") and with reference to Accounting Guideline ("**AG**") 7 *Preparation of Pro Forma Financial Information for Inclusion in Investment Circulars* issued by the Hong Kong Institute of Certified Public Accountants (the "**HKICPA**").

Our independence and quality control

We have complied with the independence and other ethical requirements of the *Code of Ethics for Professional Accountants* issued by the HKICPA, which is founded on fundamental principles of integrity, objectivity, professional competence and due care, confidentiality and professional behavior.

Our firm applies Hong Kong Standard on Quality Control 1 *Quality Control for Firms that Perform Audits and Reviews of Financial Statements, and Other Assurance and Related Services Engagements*, and accordingly maintains a comprehensive system of quality control including documented policies and procedures regarding compliance with ethical requirements, professional standards and applicable legal and regulatory requirements.

Reporting Accountants' responsibilities

Our responsibility is to express an opinion, as required by paragraph 4.29(7) of the Listing Rules, on the Unaudited Pro Forma Financial Information and to report our opinion to you. We do not accept any responsibility for any reports previously given by us on any financial information used in the compilation of the Unaudited Pro Forma Financial Information beyond that owed to those to whom those reports were addressed by us at the dates of their issue.

We conducted our engagement in accordance with Hong Kong Standard on Assurance Engagements 3420 *Assurance Engagements to Report on the Compilation of Pro Forma Financial Information Included in a Prospectus* issued by the HKICPA. This standard requires that the reporting accountants plan and perform procedures to obtain reasonable assurance about whether the Directors have compiled the Unaudited Pro Forma Financial Information in accordance with paragraph 4.29 of the Listing Rules and with reference to AG 7 issued by the HKICPA.

For purposes of this engagement, we are not responsible for updating or reissuing any reports or opinions on any historical financial information used in compiling the Unaudited Pro Forma Financial Information, nor have we, in the course of this engagement, performed an audit or review of the financial information used in compiling the Unaudited Pro Forma Financial Information.

The purpose of the Unaudited Pro Forma Financial Information included in the Circular is solely to provide information about how the acquisition of the Target Group by the Company might have affected the financial position of the Group as if the transaction had taken place at an earlier date selected for purposes of the illustration. Accordingly, we do not provide any assurance that the actual outcome of the transaction would have been as presented.

A reasonable assurance engagement to report on whether the Unaudited Pro Forma Financial Information has been properly compiled on the basis of the applicable criteria involves performing procedures to assess whether the applicable criteria used by the Directors in the compilation of the Unaudited Pro Forma Financial Information provide a reasonable basis for presenting the significant effects directly attributable to the transaction, and to obtain sufficient appropriate evidence about whether:

- the related pro forma adjustments give appropriate effect to those criteria; and
- the Unaudited Pro Forma Financial Information reflects the proper application of those adjustments to the unadjusted financial information.

The procedures selected depend on the reporting accountants' judgment, having regard to the reporting accountants' understanding of the nature of the Group, the transaction in respect of which the Unaudited Pro Forma Financial Information has been compiled, and other relevant engagement circumstances.

The engagement also involves evaluating the overall presentation of the Unaudited Pro Forma Financial Information.

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

Opinion

In our opinion:

(a) the Unaudited Pro Forma Financial Information has been properly compiled on the basis stated;

(b) such basis is consistent with the accounting policies of the Group; and

(c) the adjustments are appropriate for the purpose of the Unaudited Pro Forma Financial Information as disclosed pursuant to paragraph 4.29(1) of the Listing Rules.

Yours faithfully,

Ernst & Young
Certified Public Accountants
Hong Kong
29 April 2019

The following is the text of the valuation report of AVISTA for the purpose of incorporation into this circular.

AVISTA Valuation Advisory
艾 華 迪 評 估 諮 詢

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Wan Chai, Hong Kong

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info@avaval.com
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29 April 2019

The Board of Directors
Koradior Holdings Limited
7/F, B Block, Hongsong Building,
Terra 9th Road Futian District Shenzhen,
Guangdong Province PRC

Dear Sirs/Madams,

Re: Valuation of 100% Equity Interest of Keen Reach Limited

In accordance with your instructions, AVISTA Valuation Advisory Limited ("**AVISTA**" or "**we**") has conducted a business valuation in connection with the 100% equity interest of Keen Reach Limited (the "**Target**") as of 31 December 2018 (the "**Valuation Date**"). We understand that Koradior Holdings Limited (the "**Company**", "**Koradior**" or "**you**") intends to acquire entire equity interest of the Target (the "**Proposed Acquisition**").

It is our understanding that this appraisal will be used as reference to your determining the price for the purchase of the Target and, where relevant, for disclosure purpose under the requirement of the listing rules of the Hong Kong Stock Exchange (the "**Listing Rules**"). This report (the "**Report**") does not constitute an opinion on the commercial merits and structure of the Proposed Acquisition. We are not responsible for unauthorized use of the Report.

We accept no responsibility for the realisation and completeness of any estimated data, or estimates furnished by or sourced from any third parties which we have used in connection with this Report. We assumed that financial and other information provided to us are accurate and complete.

This Report presents the summary of the business appraised, describes the basis of analysis and assumptions, explains the analysis methodology adopted in this appraisal process to calculate the value, also the additional supporting documentation has been retained as a part of our work papers.

BASIS OF ANALYSIS

We have appraised the fair value of 100% equity interest of the Target.

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date.

COMPANY BACKGROUND

Koradior, together with its subsidiaries, engages in the design, promotion, marketing, and sale of self-owned branded ladies' wear products in the People's Republic of China. It offers dresses, skirts, trousers, shirts, knitwear, vests, jackets, overcoats, scarves, and accessories under the brand names of Koradior, La Koradior, Koradior elsewhere, CADIDL, DE KORA, Obzee and O'2nd. The company was founded in 2007 and is headquartered in Shenzhen, China.

The Target and its subsidiaries are principally engaged in designs, markets and sells self-owned branded medium to high end women apparels in the People's Republic of China. It has 3 brands named NAERSI, NEXY.CO and NAERSILING which target women in different ages and styles.

We understand that the Company is contemplating to acquire 100% equity interest of the Target. Based on the preliminary assessment of the Company, the Proposed Acquisition are regarded as a connected transaction under the Listing Rules, in which the Company is required to dispatch a circular to its shareholders (the "**Circular**") as of the Valuation Date.

SCOPE OF WORK

In conducting this valuation exercise, we have

- Co-ordinated with the Company's representatives to obtain the required information and documents for our valuation;
- Gathered the relevant information of the Target, including the legal documents, licenses, financial statements, etc. made available to us;
- Discussed with the Company to understand the history, business model, operations, customer base, business development plan, etc. of the Target for valuation purpose;
- Carried out researches in the sector concerned and collected relevant market data from reliable sources for analysis;
- Investigated into the information of the Target made available to us and considered the basis and assumptions of our conclusion of value;

- Designed an appropriate valuation model to analyze the market data and derived the estimated fair value of the Target; and

- Compiled a report on the valuation, which outlines our findings, valuation methodologies and assumptions, and conclusion of value.

When performing our valuation, all relevant information, documents, and other pertinent data concerning the assets, liabilities and contingent liabilities should have been provided to us. We relied on such data, records and documents in arriving at our opinion of values and had no reason to doubt the truth and accuracy of the information provided to us by the Company, the Target and their authorized representatives.

ECONOMY OVERVIEW

Macroeconomic overview of China

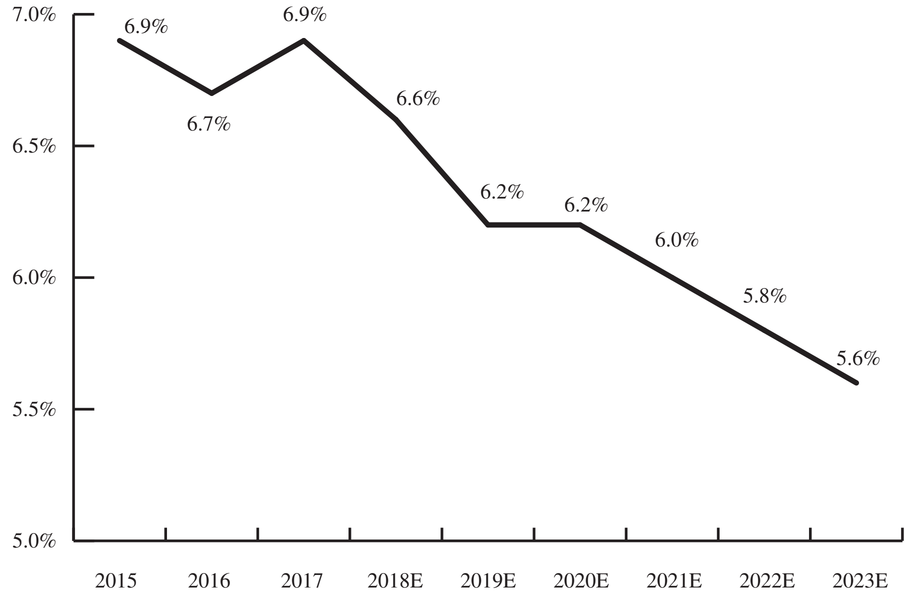
China's gross domestic product (GDP) growth has been slowing down for many years. According to the National Bureau of Statistics, China's year-on-year GDP growth reached 6.9% in 2017, up from 6.7% in 2016, marking the first acceleration since 2011. The world's second-largest economy easily beat the government's target of around 6.5% for 2017 and quickened from 2016 growth of 6.7%, which was the weakest pace in 26 years.

GDP growth has moderated, but China's economy remains resilient. Growth slowed to 6.5 percent year on year (yoy) in the third quarter from 6.8 percent in the first half of 2018. This moderation has been mainly due to weaker growth in investment and exports, while consumption growth increased. Investment growth again decelerated in 2018 as the economy continues to rebalance. Robust domestic demand supported imports, while slower global trade growth weighed on exports, resulting in a negative GDP growth contribution from net exports.

The current account recorded a small deficit in the first three quarters of 2018, driven by stronger imports. Growth in China's exports to the US subject to 25-percent tariffs slowed significantly. But China's exports subject to 10-percent tariffs have so far remained robust. This likely reflects strong US economic activity, Renminbi depreciation against the US dollar, and some front-loading of exports ahead of new tariffs. In contrast, China's imports from the US have declined in recent months.

After two quarters of net capital inflows, rising trade tensions and uncertainty contributed to USD19 billion of net outflows in the third quarter. Foreign investors reduced purchase of bond and stock which lowered foreign direct investment (FDI). While US investment into China remains stable, China's FDI into the US has declined significantly. This decrease was partly due to stricter implementation of China's capital controls in 2016-17, but it has also coincided with a rise in China's investment in other advanced countries and could be linked to concerns over potential investment restrictions.

China GDP growth rate



Source: Statista, World Bank

INDUSTRY OVERVIEW

Overview of Garment Market in China

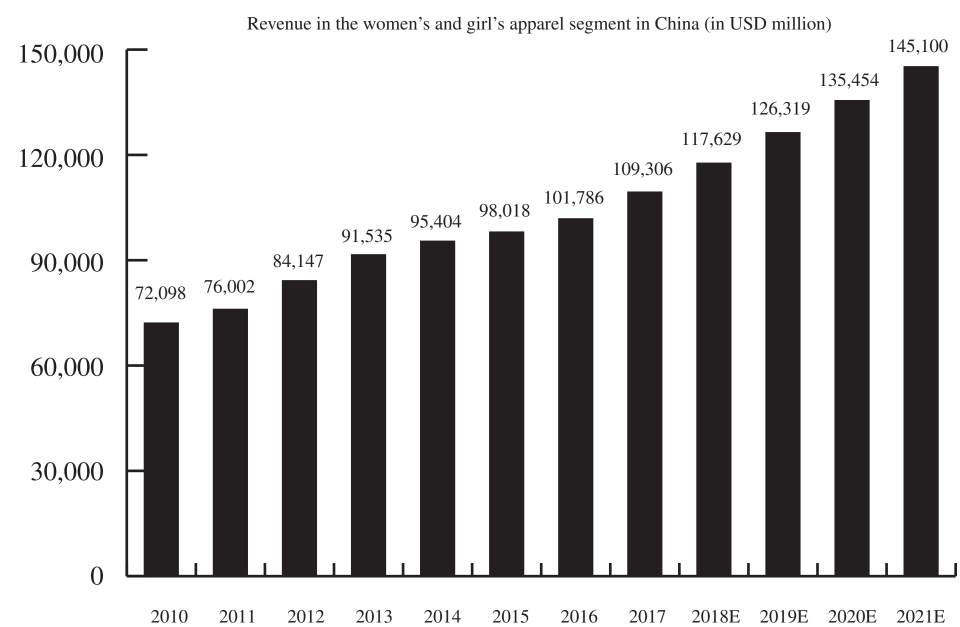
China's 1.3 billion population constitutes a huge market for garments, and one that is growing year by year. According to figures released by Euromonitor, China's adult garment market was worth around RMB1,457.8 billion in 2017, an increase of 5.2% year-on-year. Market value is expected to reach RMB1,592 billion by 2019.

Chinese garment brands can be divided into two major categories. The first comprises upmarket brands, targeted at consumers from high-income groups with growing spending power, an increasing taste for luxury and high-end brands, and a concern for garment quality and shopping experience. The second adopts a mass market strategy and, like Uniqlo, Zara and H&M, offers affordable and trendy garments especially favoured by young consumers.

Statista data reveals the revenue of Chinese women's and girl's garment market was around USD 109,396 million in 2017, an increase of 7.5% over the previous year. Market revenue is expected to reach USD 145,100 million by 2021, represents a compound annual growth rate (CAGR) of 7.2% from 2019 to 2021. The demand from young women for clothing with personal style is on the rise, with limited edition fashion, niche brands and designer labels gaining increasing popularity with consumers.

Currently, China's high-end garment market consists almost completely of brands from France, Germany, Italy, Japan, the US, the UK and Korea. Hong Kong and Taiwanese brands are mainly concentrated in the mid-range market while domestic brands are mostly found in the mid- and low-end markets.

Overall, growth in the garment market has been relatively slow in recent years, but fast fashion and online sales have continued to rise. In particular, European brands such as Zara and H&M have posted marked growth in market shares. This is mainly attributable to their consumer-friendly prices as well as their diverse and creative styles, which helped ease the price pressure on consumers while meeting their shopping needs. It is understood that fast fashion brands represented by the likes of Zara, H&M, Gap and Uniqlo will quicken the pace of their penetration into the Chinese market, particularly in second- and third-tier cities.



Source: Hong Kong Trade Development Council, Statista

LIMITATIONS OF THE REPORT

The Report serves as reference to your determining the price for the purchase of the Target and, where relevant, for a basis for disclosure purpose under the requirement of the Listing Rules. We will not be liable for any unauthorized use of the report. Accordingly, the Report may not be used nor relied upon in any other connection by, and are not intended to confer any benefit on, any person (including without limitation the respective shareholders of the Company and the Target).

The Report does not constitute an opinion on the commercial merits and structure of the Proposed Acquisition. The Report does not purport to contain all the information that may be necessary or desirable to fully evaluate the Proposed Acquisition. We are not required to and have not conducted a comprehensive review of the business, technical, operational, strategic or other commercial risks and merits of the Proposed Acquisition and such remain the sole responsibility of the Directors and the management of the Company.

We have assumed and relied upon, and have not independently verified the accuracy, completeness and adequacy of the information provided or otherwise made available to us or relied upon by us in the Report, whether written or verbal, and no representation or warrant, expressed or implied, is made and no responsibility is accepted by us concerning the accuracy, completeness or adequacy of all such information.

VALUATION ASSUMPTIONS OF BUSINESS ENTERPRISE VALUE ANALYSIS

In arriving at our opinion of value, we have considered the following principal factors:

- the economic outlook for the region operated by the Target and specific competitive environments affecting the industry;
- the business risks of the Target;
- the price multiples of the comparable companies engaging in business operations similar to the Target;
- the experience of the management team of the Target and support from its shareholders; and
- the legal and regulatory issues of the industry in general.

A number of general assumptions have to be made in arriving at our value conclusion. The key assumptions adopted in this valuation include:

- There will be no material change in the existing political, legal, technological, fiscal or economic conditions, which might adversely affect the business of the Target;
- We have assumed that there are no hidden or unexpected conditions associated with the assets valued that might adversely affect the reported values. Further, we assume no responsibility for changes in market conditions after the Valuation Date; and
- The working capital adjustments on consideration will not significantly affect the normal operation of the businesses, and thus the calculation of the enterprise value.

VALUATION APPROACH

General Valuation Approaches

There are three generally accepted approaches to appraise the fair value of the equity value of the Target, namely Income Approach, Cost Approach and Market Approach. All three of them have been considered regarding the valuation of the Target:

Income Approach

The income approach provides an indication of value based on the principle that an informed buyer would pay no more than the present value of anticipated future economic benefits generated by the subject asset.

The fundamental method for income approach is the discounted cash flow ("**DCF**") method. Under the DCF method, the value depends on the present value of future economic benefits to be derived from ownership of the enterprise. Thus, an indication of the equity value is calculated as the present value of the future free cash flow of a company less outstanding interest-bearing debt, if any. The future cash flow is discounted at the market-derived rate of return appropriate for the risks and hazards of investing in a similar business.

Cost Approach

The cost approach considers the cost to reproduce or replace in new condition the assets appraised in accordance with current market prices for similar assets, with allowance for accrued depreciation arising from condition, utility, age, wear and tear, or obsolescence (physical, functional or economical) present, taking into consideration past and present maintenance policy and rebuilding history.

Market Approach

The market approach provides an indication of value by comparing the subject asset to similar assets that have been sold in the market, with appropriate adjustments for the differences between the subject asset and the assets that are considered to be comparable to the subject asset.

Under the market approach, the comparable company method computes a price multiple for publicly listed companies that are considered to be comparable to the subject asset and then applies the result to a base of the subject asset. The comparable transaction method computes a price multiple using recent sales and purchase transactions of assets that are considered to be comparable to the subject asset and then applies the result to a base of the subject asset.

Selected Valuation Approach

Each of the abovementioned approaches is appropriate in one or more circumstances, and sometimes, two or more approaches may be used together. Whether to adopt a particular approach will be determined by the most commonly adopted practice in valuing business entities that are similar in nature. In this appraisal regarding the fair value of the equity value of the Target, we applied the Market Approach due to the following reasons:

- Cost Approach is not appropriate in the current appraisal as it fails to consider the economic benefits of ownership of the business. We considered the consolidated net book value of the Target as of the Valuation Date may not truly reflect the value of its equity interest, as part of value will be attributed to future benefit of the Target, deriving from the apparel retail related business.

- Income Approach is also considered inappropriate as plenty of assumptions were involved in formulating the financial projections of the Target, and the assumptions might not be able to reflect the uncertainties in the future performance of the Target. Given that improper assumptions will impose significant impact on the fair value, Income Approach is not adopted in this valuation.

- Fair value arrived from Market Approach reflects the market expectations over the corresponding industry as the price multiples of the comparable companies were arrived from market consensus. Since there are sufficient public companies in similar nature and business to that of the Target, their market values are good indicators of the industry. Therefore, Market Approach has been adopted in this valuation.

By adopting market approach, we have to select the appropriate comparable public companies. The selection of the comparable companies was based on the comparability of the overall industry sector. Although no two companies are ever exactly alike, behind the differences there are certain business universals such as required capital investment and overall perceived risks and uncertainties that guided the market in reaching the expected returns for companies with certain similar attributes.

The principal business of the Target is women's retail apparel. We have conducted our review to cover public companies with majority of revenue generated from sales of medium to high end women's apparel and related business.

The comparable public companies are selected with reference to the following selection criteria:

- The primary industry of the companies is apparel or apparel retail;
- The majority of revenue (i.e. > 50%) is attributable to medium to high end women's apparel and related business;
- The companies' major business operation is in China;
- The companies are listed on the Stock Exchange of Hong Kong or Shanghai Stock Exchange or Shenzhen Stock Exchange; and
- The financial information of the companies is available to the public.

The list of comparable companies based on the selection criteria is considered to be exhaustive. Details of the comparable companies are illustrated as follows:

Company Name	Stock Code	Listing Location	Business Description	Revenue Segment(s)
Dazzle Fashion Co., Ltd.	SHSE:603587	Shanghai	Dazzle Fashion Co., Ltd. designs, promotes, and distributes medium-end and high-end branded female clothes in China and internationally.	Apparel: 100.0%
JNBY Design Limited	SEHK:3306	Hong Kong	JNBY Design Limited, together with its subsidiaries, engages in the design, marketing, retail, and sale of fashion apparels, accessory products, and household goods in the People's Republic of China and internationally.	Women: 65.8%; Men: 21.0%; Children and Teenagers: 13.1%; ALL Other Segments: 0.1%

Company Name	Stock Code	Listing Location	Business Description	Revenue Segment(s)
Ribo Fashion Group Co., Ltd.	SHSE:603196	Shanghai	Ribo Fashion Group Co., Ltd. designs, develops, and sells fashion clothing products for women in China.	Eastern China: 20.4%; Southern China: 11.8%; Northern China: 22.9%; North East China: 8.5%; Central China: 13.6%; Southwest China: 6.7%; Northwest China: 5.4%; Network: 10.6%
Anzheng Fashion Group Co., Ltd.	SHSE:603839	Shanghai	Anzheng Fashion Group Co., Ltd. engages in the research and development, production, and brand management of apparel in China.	Juzui: 66.1%; IMM: 15.1%; Anzheng: 5.3%; Moissac: 2.5%; Fiona Chen: 7.2%; Anna: 3.4%; Other Brands: 0.4%
Lancy Co., Ltd.	SZSE:002612	Shenzhen	Lancy Co., Ltd. provides women's wear in China and internationally.	Children Wear: 28.9%; Women's Clothing: 57.2%; Health Care: 8.9%; Assets Management: 5.0%
Shenzhen Ellassay Fashion Co.,Ltd.	SHSE:603808	Shanghai	Shenzhen Ellassay Fashion Co.,Ltd. designs, produces, and sells branded women's clothing in China and internationally.	Clothing: 100.0%
V-Grass Fashion Co., Ltd.	SHSE:603518	Shanghai	V-Grass Fashion Co.,Ltd. engages in the design, production, and sale of women's apparel products.	Brocade: 0.9%; Vgrass: 30.9%; TEENIEWEENIE (Not Including Fabric): 68.2%
Koradior Holdings Limited	SEHK:3709	Hong Kong	Koradior Holdings Limited, together with its subsidiaries, engages in the design, promotion, marketing, and sale of self-owned branded ladies' wear products in the People's Republic of China.	Retailing and Wholesale of Womenswear: 100.0%

Source: S&P Capital IQ and annual reports of the comparable companies

After selecting the abovementioned comparable companies, we have to determine the appropriate valuation multiples for the valuation of the Target, in which we have considered price-to-earnings ("**P/E**"), price-to-book ("**P/B**"), enterprise value/earnings before interests and taxes ("**EV/EBIT**") and enterprise value/earnings before interests, taxes, depreciation and amortization ("**EV/EBITDA**") multiples.

The P/B multiple is considered not appropriate for this valuation because book value captures only the tangible assets of a company which, if a company creates any added market value (as reflected by a P/B multiple of larger than one), should have its own intangible competencies and advantages. These intangible company-specific competencies and advantages are not captured in the P/B multiple and so in general, the equity's book value has little bearing with its fair value. Thus, the P/B multiple is not a good measurement of the fair value of a company.

In addition, P/E multiple is not adopted as tax policies differ in different listing countries and the effect of tax on earnings of comparable companies should be eliminated. EV/EBIT multiples have eliminated tax effect on earnings but they still comprise non-cash items in earnings, such as depreciation and amortisation of fixed assets, therefore is also not adopted.

EV/EBITDA multiple is the most appropriate indicator of the fair value of the comparable companies, as this multiple removes any tax effect on earnings as well as non-cash items in earnings, it is hence adopted in the valuation of the Target. Enterprise Value ("**EV**") is generally derived based on the market capitalization of a company, plus net debt (total debt minus cash and short-term investment), minority interest and preferred shares.

The EV/EBITDA multiples of comparable companies are as follows:

No.	**Company Name**	**Stock Code**	**EV/EBITDA** [(1)]
1	Dazzle Fashion Co., Ltd.	SHSE:603587	9.9x
2	JNBY Design Limited	SEHK:3306	6.7x
3	Ribo Fashion Group Co., Ltd.	SHSE:603196	36.6x[(2)]
4	Anzheng Fashion Group Co., Ltd.	SHSE:603839	14.3x[(2)]
5	Lancy Co., Ltd.	SZSE:002612	22.0x[(2)]
6	Shenzhen Ellassay Fashion Co.,Ltd.	SHSE:603808	8.9x
7	V-Grass Fashion Co.,Ltd.	SHSE:603518	8.7x
8	Koradior Holdings Limited	SEHK:3709	9.8x
	Maximum		36.6x
	Median		**9.9x**
	Minimum		6.7x

Notes:

(1) Data sourced from S&P Capital IQ database. The equity values of the comparable companies are computed based on the market capitalization of the companies as of 31 December 2018. EV/EBITDA data are based on the trailing 12-month financial data of the comparable companies available as of the Valuation Date.

(2) It is noticed that three of the comparable companies, namely Ribo Fashion Group Co., Ltd., Anzheng Fashion Group Co. Ltd. and Lancy Co., Ltd, possess relatively higher EV/EBITDA multiples. As such, we have further performed analysis on the financial statements of the comparable companies to ensure that all extraordinary items have been excluded in the calculation. In addition, given that all of the subject companies are considered to be appropriate benchmark of the Target in terms of business nature, geographical location and business scale, they are hence included in the analysis.

Valuation Result

(in RMB'000 unless otherwise specified)

FY2018 EBITDA of the Target [1]	247,400
Adopted EV/EBITDA Multiple [2]	9.9x
Estimated 100% Enterprise Value of the Target [3]	2,443,111
Add: Cash and Cash Equivalent [1]	158,149
Less: Total Debt [1]	(139,723)
Add/Less: Non-Operating Assets/Liabilities [4]	(19,057)
Estimated 100% Equity Value of the Target (before Lack of Marketability Discount ("**LOMD**") and Control Premium)	2,442,479
Less: LOMD [5]	(505,593)
Add: Control Premium [6]	344,766
Adjusted 100% Equity Value of the Target	**2,281,652**

Notes:

(1) The data are based on the audited consolidated financial statements of the Target for the year ended 31 December 2018. Any items that are non-operating or non-recurring in nature (e.g. subsidy income, interest income, etc.) have been excluded in the calculation of EBITDA.

(2) Given that the multiples of comparable companies show a range of values, the median of the EV/EBITDA multiples is adopted, which is able to eliminate the effect of outliers to the valuation result.

(3) The amount does not equal to the multiple of EBITDA of the Target and the adopted multiple illustrated above due to rounding.

(4) Non-operating assets/liabilities includes "Financial assets at fair value through profit or loss" and "Amount due to ultimate shareholder".

(5) LOMD reflects the fact that there is no ready market for shares in a closely held company. Ownership interests in closely held companies are typically not readily marketable compared to similar interests in publicly listed companies. Therefore, a share of stock in a privately held company is usually worth less than an otherwise comparable share in a publicly listed company.

As the shares of the Target are unlikely to be listed in any major stock exchange or be marketable in any over-the-counter market in near future, the ownership interest in the Target are not readily marketable. However, the EV/EBITDA multiple adopted in the valuation was calculated from public listed companies, which represents marketable ownership interest; fair value calculated using such EV/EBITDA multiple, therefore, represents the marketable interest. Thus, LOMD was adopted to adjust such marketable interest fair value to non-marketable interest fair value.

While there is no available empirical study on marketability discount for companies specifically engaged in apparel retail related businesses, in this valuation exercise, the LOMD has been made reference to "Stout Restricted Stock Study Companion Guide (2018 Edition)" published by Stout Risius Ross, LLC, Inc. The overall average discount for lack of marketability as observed in The Stout Restricted Stock Study based on data from July 1980 through March 2018 is 20.7%.

(6) Control premium is the amount that a buyer is willing to pay over the minority equity value of the company in order to acquire a controlling interest in that company. The EV/EBITDA multiple adopted in the valuation was calculated from public listed companies, which represents minority ownership interest; market value calculated using such EV/EBITDA multiple, therefore, represents the minority interest. Thus, control premium was adopted to adjust such minority interest market value to controlling interest market value.

Adjustment for control is made by the application of a control premium to the value of the Target's shares. The control premium has been made reference to the implied control premium derived from comparable transactions. According to our search through Bloomberg terminal, the average control premium for retail apparel industry is 17.8% based on the below selection criteria for the comparable transactions:

– The industry of the subject company is retail of apparels or shoes;

– Completion date of the transaction was between 31 December 2008 and 31 December 2018;

– Acquisition of majority stake of equity interest in the subject company (i.e. over 50%); and

– The transaction has been completed.

CONCLUSION OF VALUE

Based on our investigation and analysis method employed, it is our opinion that the fair value of the 100% equity interest of the Target as of the Valuation Date is RMB2,281,652,000.

The conclusion of the fair value was based on generally accepted valuation procedures and practices that rely extensively on the use of numerous assumptions and the consideration of many uncertainties, not all of which can be easily quantified or ascertained.

We hereby certify that we have neither present nor prospective interests in Koradior Holdings Limited nor the value reported.

Yours faithfully,
For and on behalf of
AVISTA Valuation Advisory Limited

Vincent C B Pang
CFA, FCPA(HK), FCPA (Aus.) MRICS
Managing Director

Analysed and Reported by:
Leo L Lee
CFA
Manager
Yuki Y K Lam
Analyst

Note: Mr. Vincent Pang is a member of CFA Institute, a fellow member of Hong Kong Institute of Certified Public Accountants and CPA Australia and a member of Royal Institution of Chartered Surveyors. Vincent has over 15-year experience in financial valuation and business consulting in Hong Kong and China.

APPENDIX – GENERAL LIMITATIONS AND CONDITIONS

This Report was prepared based on the following general assumptions and limiting conditions:

- All data, including historical financial data, which we relied upon in reaching opinions and conclusions or set forth in the Report are true and accurate to our best knowledge. Whilst reasonable care has been taken to ensure that the information contained in the Report is accurate, we cannot guarantee its accuracy and we assume no liability for the truth or accuracy of any data, opinions, or estimates furnished by or sourced from any third parties which we have used in connection with the Report.

- We also assume no responsibilities in the accuracy of any legal matters. In particular, we have not carried out any investigation on the title of or any encumbrances or any interest claimed or claimable against the property appraised. Unless otherwise stated in the Report, we have assumed that the owner's interest is valid, the titles are good and marketable, and there are no encumbrances that cannot be identified through normal processes.

- We have not verified particulars of property, including their areas, sizes, dimensions, and descriptions, which we have used or have referred to in connection with the preparation of this Report, unless otherwise stated in this Report. Any information regarding areas, sizes, dimensions, and descriptions of property mentioned in this Report are for identification purposes only, and no one should use such information in any conveyance or other legal document. Any plans or graphical illustrations presented in this Report are intended only for facilitating the visualization of the property and its surroundings and such plans or graphical illustrations should not be regarded as a survey or a scale for size.

- The value opinion presented in this Report is based on the prevailing or then prevailing economic conditions and on the purchasing power of the currency stated in the Report as of the date of analysis. The date of value on which the conclusions and opinions expressed apply is stated in this Report.

- This Report has been prepared solely for the use or uses stated. Except for extraction of or reference to the Report by the Company, its financial advisor and/or its independent financial advisor for their respective work in relation to the Proposed Acquisition, it is not intended for any other use or purpose or use by any third parties. We hereby disclaim that we are not liable for any damages and/or loss arisen in connection with any such unintended use.

- Prior written consent must be obtained from AVISTA Valuation Advisory Limited for publication of this Report. Except for disclosure in the Circular in relation to the Proposed Acquisition, no part of this Report (including without limitation any conclusion, the identity of any individuals signing or associated with this Report or the firms/companies with which they are connected, or any reference to the professional associations or organisations with which they are affiliated or the designations awarded by those organisations) shall be disclosed, disseminated or divulged to third parties by any means of publications such as prospectus, advertising materials, public relations, news.

- No environmental impact study has been carried out, unless otherwise stated in this Report. We assume all applicable laws and governmental regulations are being complied with unless otherwise stated in this Report. We have also assumed responsible ownership and that all necessary licenses, consents, or other approval from the relevant authority or private organisations have been or to be obtained or renewed for any use that is relevant to value analysis in this Report.

- Unless otherwise stated in this Report, the value estimate set out in this Report excludes the impact of presence of any harmful substances such as asbestos, urea-formaldehyde foam insulation, other chemicals, toxic wastes, or other potentially hazardous materials or of structural damage or environmental contamination. For purposes of evaluating potential structural and/or environmental defects, where their existence could have a material impact on value of the property, we would recommend that advices from the relevant experts, such as a qualified structural engineer and/or industrial hygienist, should be sought.

1. RESPONSIBILITY STATEMENT

This circular, for which the Directors collectively and individually accept full responsibility, includes particulars given in compliance with the Listing Rules for the purpose of giving information with regard to the Company. The Directors, having made all reasonable enquiries, confirm that to the best of their knowledge and belief the information contained in this circular (other than information relating to the Vendor and the Target Group) is accurate and complete in all material respects and not misleading or deceptive, and there are no other matters the omission of which would make any statement herein or this circular misleading.

2. SHARE CAPITAL

The authorised and issued share capital of the Company as at the Latest Practicable Date was, and as a result of the allotment and issue of the Consideration Shares will be, as follows:

Authorised share capital:		*HKD*
1,500,000,000	Shares	15,000,000
Issued and fully paid or credited as fully paid:		
486,337,000	Shares as at the Latest Practicable Date	4,863,370
Shares to be issued:		
198,713,195	Consideration Shares to be issued	1,987,132
Total Shares issued and to be issued:		
685,050,195	Shares	6,850,502

The nominal value of the Shares and the Consideration Shares is HK$0.01 each. All the existing Shares rank *pari passu* in all respects including all rights as to dividend, voting and capital. The Consideration Shares to be issued following completion will rank *pari passu* in all respects with the existing Shares on the relevant date of allotment.

Since 31 December 2018 (the date to which the latest audited financial statements of the Company were made up) and up to the Latest Practicable Date, the Company has not issued any new Shares and as at the Latest Practicable Date, save for the 7,460,000 outstanding options granted under the share option schemes of the Company approved on 6 June 2014, entitling the holders to convert into 7,960,000 Shares at an exercise price of HK$4.42, the Company did not have any outstanding options, warrants or securities which will be convertible or exchangeable into Shares.

3. DISCLOSURE OF INTERESTS OF DIRECTORS AND CHIEF EXECUTIVE

As at the Latest Practicable Date, the interests and short positions, if any, of the Directors or chief executive of the Company in the Shares, underlying Shares and debentures of the Company or any of its associated corporation(s) (within the meaning of Part XV of the SFO) which were required (a) to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which were taken or deemed to have under such provisions of the SFO); or (b) to be entered in the register pursuant to Section 352 of the SFO; or (c) pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers (the "**Model Code**") adopted by the Company, to be notified to the Company and the Stock Exchange, were as follows:

Long positions in the Shares and underlying Shares:

Name of Director	Nature of interest	Number of Shares/ Underlying Shares held	Approximate percentage of issued share capital of the Company
Mr. Jin Ming	Founder of a discretionary trust	300,450,500 *(Note 1)*	61.78%
Ms. He Hongmei	Beneficial owner	500,000 *(Note 2)*	0.10%

Notes:

1. The entire issued share capital of Koradior Investments Limited is wholly-owned by Mayberry Marketing Limited, the entire issued share capital of which is in turn wholly-owned by BOS Trustee Limited as trustee of the Fiona Trust. The Fiona Trust is a discretionary trust set up by Mr. Jin Ming as settlor. The beneficiaries of Fiona Trust are Mr. Jin Ming, his spouse and his children. Mr. Jin Ming as founder of Fiona Trust is taken to be interested in the 300,450,500 Shares held by Koradior Investments Limited by virtue of Part XV of the SFO.

2. These represent the share options granted to Ms. He.

Save as disclosed above, as at the Latest Practicable Date, none of the Directors or chief executive of the Company had or was deemed to have any interests or short positions in any Shares, underlying Shares or debentures of the Company or any of its associated corporations (within the meaning of Part XV of the SFO) which would be required (a) to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which they would be taken or deemed to have under such provisions of the SFO); (b) to be recorded in the register required to be kept by the Company pursuant to section 352 of the SFO; or (c) to be notified to the Company and the Stock Exchange pursuant to the Model Code.

As at the Latest Practicable Date, so far as known to the Directors, none of the Directors is a director or employee of a company which has an interest or short position in the Shares and underlying Shares of the Company which would fall to be disclosed to the Company under the provisions of Division 2 and 3 of Part XV of the SFO.

4. DISCLOSURE OF INTERESTS OF THE SHAREHOLDERS PURSUANT TO THE SFO

As at the Latest Practicable Date, so far as was known to the Directors or chief executive of the Company, the following persons (other than a Director or chief executive of the Company) had, or were deemed or taken to have, interests or short positions in the Shares and underlying Shares which would fall to be disclosed to the Company and the Stock Exchange under the provisions of Divisions 2 and 3 of Part XV of the SFO or, were directly or indirectly, interested in 10% or more of the nominal value of any class of share capital carrying rights to vote in all circumstances at general meetings of any other members of the Group or had any option in respect of such capital:

Long positions in the Shares and underlying Shares

Name of Shareholder	Capacity	Number of Shares/ Underlying Shares held	Approximate percentage of issued share capital of the Company
Koradior Investments Limited	Beneficial owner	300,450,500 *(Note 1)*	61.78%
BOS Trustee Limited	Trustee	300,450,500*(Note 2)*	61.78%
Mayberry Marketing Limited	Interest in a controlled corporation	300,450,500*(Note 2)*	61.78%
Chui Jinny	Interest in a controlled corporation	41,680,578 *(Note 3)*	8.57%
Sisu Holdings Limited	Beneficial owner	41,680,578 *(Note 3)*	8.57%
Fosun International Limited	Interest in a controlled corporation	25,800,000 *(Note 4)*	5.30%
Fosun International Holdings Ltd	Interest in a controlled corporation	25,800,000 *(Note 4)*	5.30%
Guo Guangchang	Interest in a controlled corporation	25,800,000 *(Note 4)*	5.30%

Notes:

1. The entire issued share capital of Koradior Investments Limited is wholly-owned by Mayberry Marketing Limited, the entire issued share capital of which is in turn wholly-owned by BOS Trustee Limited as trustee of the Fiona Trust. The Fiona Trust is a discretionary trust set up by Mr. Jin Ming as settlor. The beneficiaries of Fiona Trust are Mr. Jin Ming, his spouse and his children. Mr. Jin Ming as founder of Fiona Trust is taken to be interested in the 300,450,500 Shares held by Koradior Investments Limited by virtue of Part XV of the SFO.

2. BOS Trustee Limited a as trustee of Fiona Trust, which was established by Mr. Jin Ming as settlor in favour of the beneficiaries of Fiona Trust, held 100% of the issued share capital of Mayberry Marketing Limited, which in turn held 100% of the issued share capital of Koradior Investments Limited.

3. Sisu Holdings Limited is wholly owned by Ms. Jinny Chui, an independent third party.

4. Mr. Guo Guangchang, an independent third party, is deemed to be interested in the 25,800,000 Shares held by Fosun Ruizhe Grace Investments Limited pursuant to the SFO by virtue of Fosun Ruizhe Grace Investments Limited being a subsidiary of Fosun International Limited, was 70.72% owned by subsidiary of Fosun Holdings Limited, which in turn is a subsidiary of Fosun International Holdings Limited, in which Mr. Guo Guangchang holds 85.29% interest.

Save as disclosed above, as at the Latest Practicable Date, so far as was known to the Directors or chief executive of the Company based on the register maintained by the Company pursuant to Part XV of the SFO, no other persons (not being a Director or chief executive of the Company) had, or were deemed or taken to have, any interests or short positions in the Shares or underlying Shares which would be required to be disclosed to the Company and the Stock Exchange under the provisions of Divisions 2 and 3 of Part XV of the SFO, nor were there any persons, directly or indirectly, interested in 10% or more of the nominal value of any class of share capital carrying rights to vote in all circumstances at general meetings of any other members of the Group or held any option in respect of such capital.

5. COMPETING BUSINESS INTERESTS OF DIRECTORS

At the Latest Practicable Date, none of the Directors or their respective associates had any business or interest apart from the Enlarged Group's businesses which competes or is likely to compete, either directly or indirectly, with the businesses of the Enlarged Group.

6. DIRECTORS' INTERESTS IN ASSETS OR CONTRACTS OR ARRANGEMENT

(a) As at the Latest Practicable Date, none of the Directors had any direct or indirect interest in any assets which have, since 31 December 2018 (being the date to which the latest published audited financial statements of the Company were made up), been (i) acquired or disposed of by; or (ii) leased to; or (iii) proposed to be acquired or disposed of by; or (iv) proposed to be leased to, any member of the Enlarged Group;

(b) None of the Directors was materially interested in any contract or arrangement subsisting at the Latest Practicable Date which is significant in relation to the business of the Enlarged Group, save for the Acquisition Agreement in which Mr. Jin Ming, the chairman, chief executive officer and an executive Director of the Company has material interests, and has abstained from voting on the relevant board resolutions approving the Acquisition Agreement and the transactions contemplated therein, including the allotment and issue of the Consideration Shares.

Please refer to the "Letter from the Board" set out on pages 6 to 19 of this circular for details relating to the Acquisition Agreement.

7. SERVICE CONTRACTS

As at the Latest Practicable Date, none of the Directors had entered, or proposed to enter, into any service contracts with the Company or any member of the Enlarged Group (excluding contracts expiring or determinable within one year without payment of compensation (other than statutory compensation)).

8. LITIGATION

As at the Latest Practicable Date, no member of the Enlarged Group was engaged in any litigation, arbitration or claim of material importance and no litigation, arbitration or claim of material importance was known to the Directors to be pending or threatened by or against any member of the Enlarged Group or to which any member of the Enlarged Group may become a party.

9. QUALIFICATION OF EXPERTS AND CONSENTS

The following are the qualifications of the experts who have given opinion or advice which are contained or referred to in this circular:

Name	Qualification
Ernst & Young	Certified public accountants
AVISTA Valuation Advisory Limited	Independent professional valuer
Red Solar Capital Limited	A corporation licensed to carry on Type 1 (dealing in securities) and Type 6 (advising on corporate finance) regulated activities under the SFO

The experts above have given and have not withdrawn their written consents to the issue of this circular with copies of its letter or report (as the case may be) and the references to its name included herein the form and context in which they respectively appear.

The letters or reports (as the case may be) from the above experts are given as of the date of this circular for incorporation herein.

As at the Latest Practicable Date, none of the experts above had any shareholding, directly or indirectly, in any member of the Group or the right (whether legally enforceable or not) to subscribe for or nominate persons to subscribe for securities in any member of the Enlarged Group.

As at the Latest Practicable Date, none of the experts above had any direct or indirect interests in any assets which have since 31 December 2018 (being the date to which the latest published audited consolidated financial statements of the Group were made up) been acquired or disposed of by or leased to any member of the Group, or are proposed to be acquired or disposed of by or leased to any member of the Group.

10. MATERIAL CONTRACTS

Save for the Acquisition Agreement, no contract (not being contracts entered into in the ordinary course of business) has been entered into by any member of the Enlarged Group within the two years immediately preceding the issue of this circular which are or may be material.

11. DOCUMENTS AVAILABLE FOR INSPECTION

Copies of the following documents are available for inspection from 10:00 a.m. to 5:30 p.m. on any weekdays (except for public holidays) at the principal place of business in Hong Kong of the Company at Unit C, 17/F, OfficePlus@Mong Kok, No. 998 Canton Road, Kowloon, Hong Kong, from date of this circular up to (and including) the date of the EGM:

– the Articles;

– the Acquisition Agreement;

– the annual report of the Company for the year ended 31 December 2018;

– the annual reports of the Company for each of the two years ended 31 December 2016 and 2017;

– the accountants' report on the Target Group from Ernst & Young as set out in Appendix II to this circular;

– the report from Ernst & Young on the unaudited pro forma financial information of the Enlarged Group as set out in Appendix IV to this circular;

– the letter of advice from the Independent Financial Adviser, the text of which is set out on pages 22 to 49 of this circular;

– the letter of recommendation from the Independent Board Committee, the text of which is set out on page 20 of this circular;

- the written consent letters of the experts referred to in the section headed "Expert's Qualifications and Consents" in this appendix; and

- this circular.

14. MISCELLANEOUS

- The Company Secretary of the Company is Ms. Wong Wai Kiu and Mr. Leung Ka Wai is the joint Company Secretary. Ms. Wong is a fellow member of the Association of Chartered Certified Accountants and Mr. Leung is a member of the Hong Kong Institute of Certified Public Accountants.

- The registered office of the Company is Cricket Square, Hutchins Drive, P.O. Box 2681, Grand Cayman KY1-1111, Cayman Islands.

- The head office and principal place of business of the Company in the PRC is 7/F, B Block, Hongsong Building, Terra 9th Road, Futian District, Shenzhen, Guangdong Province, PRC.

- The principal place of business of the Company in Hong Kong is at Unit C, 17/F, OfficePlus@Mong Kok, No. 998 Canton Road, Kowloon, Hong Kong.

- The principal share registrar and transfer office of the Company is Conyers Trust Company (Cayman) Limited, Cricket Square, Hutchins Drive, P.O. Box 2681, Grand Cayman KY1-1111, Cayman Islands.

- The branch share registrar and transfer office of the Company in Hong Kong is Tricor Investor Services Limited, Level 22, Hopewell Centre, 183 Queen's Road East, Hong Kong.

- The English text of this circular prevails over the Chinese text in case of inconsistency.

Koradior Holdings Limited
珂萊蒂爾控股有限公司

(Incorporated in the Cayman Islands with limited liability)

(Stock Code: 3709)

NOTICE OF EGM

NOTICE IS HEREBY GIVEN that an extraordinary general meeting (the "**EGM**") of Koradior Holdings Limited (the "**Company**") will be held at Portion 2, 12/F., The Centre, 99 Queen's Road Central, Central, Hong Kong, on Wednesday, 22 May 2019 at 3 p.m. for the purpose of considering and, if thought fit, passing, with or without amendments, the following resolutions. Capitalised terms defined in the circular dated 29 April 2019 issued by the Company (the "**Circular**") of which this notice forms part shall have the same meanings when used herein unless otherwise specified:

ORDINARY RESOLUTIONS

1. "**THAT**:

   (a) the Acquisition Agreement (a copy of which has been produced to the meeting marked "A" and initialled by the chairman of the meeting for the purpose of identification) and the transactions contemplated therein, including the allotment and issue of the 198,713,195 Consideration Shares at the issue price of HK$9.50 per Consideration Share, and the implementation thereof be and are hereby approved, confirmed and ratified;

   (b) any one of the Directors be and is hereby authorised to do all such acts and things and sign, agree, ratify, execute, perfect or deliver all such documents or instruments under hand (or where required, under the common seal of our Company together with another Director or any person authorised by the board of Directors) and take all such steps as the Director in his/her discretion may consider necessary, appropriate, desirable or expedient to implement, give effect to or in connection with the Acquisition Agreement and any of the transactions contemplated thereunder."

SPECIAL RESOLUTIONS

2. "**THAT**, the name of the Company be changed from "Koradior Holdings Limited" to "EEKA Fashion Holdings Limited" and its Chinese name "珂萊蒂爾控股有限公司" be changed to "贏家時尚控股有限公司" and be adopted as the dual foreign name of the Company, and that any Director be and is hereby authorised to do all such acts and things and execute all documents he/she considers necessary or expedient in connection with or to give effect to such change of name of the Company and the adoption of the dual foreign name."

3. "**THAT** subject to and conditional upon the Proposed Change of Company Name becoming effective and with effect from the date of issue of the certificate of incorporation on change of name, the Articles be amended by replacing all references to "Koradior Holdings Limited (珂萊蒂爾控股有限公司)" with "EEKA Fashion Holdings Limited (贏家時尚控股有限公司)" to reflect the name change of the Company and by replacing all references from "Codan Trust Company (Cayman) Limited" to "Conyers Trust Company (Cayman) Limited"; and the amended memorandum and articles of association of the Company in the form produced to the meeting, a copy of which has been produced to this meeting and marked "B" and initialled by the Chairman of this meeting for the purpose of identification, be approved and adopted in substitution for and to the exclusion of the existing memorandum and articles of association of the Company."

By Order of the Board
Koradior Holdings Limited
Jin Ming
Chairman, Chief Executive Officer and Executive Director

Hong Kong, 29 April 2019

Registered Office:
Cricket Square
Hutchins Drive
P.O. Box 2681
Grand Cayman KY1-1111
Cayman Islands

Head Office & principal place of business in Hong Kong:
Unit C, 17/F, OfficePlus@Mong Kok
No. 998 Canton Road
Kowloon
Hong Kong

Notes:

1. Any member entitled to attend and vote at the meeting convened shall be entitled to appoint another person as his proxy to attend and vote instead of him. A member who is the holder of two or more shares may appoint more than one proxy to represent him and vote on his behalf. A proxy need not be a member of the Company.

2. In order to be valid, the form of proxy, must be deposited together with the power of attorney or other authority, if any, under which it is signed, or a certified copy of that power or authority, at the offices of the Company's share registrar and transfer office in Hong Kong, Tricor Investor Services Limited, at Level 22, Hopewell Centre, 183 Queen's Road East, Hong Kong not less than 48 hours before the time appointed for holding the meeting or adjourned meeting.

3. For the purpose of ascertaining shareholders' entitlement to attend and vote at the EGM, the register of members of the Company will be closed for registration of transfer of Shares from Friday, 17 May 2019 to Wednesday, 22 May 2019 (both days inclusive), during which period no transfers of shares will be registered. In order to be eligible to attend and vote at the EGM, all transfer documents accompanied by the relevant share certificates, have to be lodged with the Company's branch share registrar and transfer office in Hong Kong, Tricor Investor Services Limited, at Level 22, Hopewell Centre, 183 Queen's Road East, Hong Kong, not later than 4:30 p.m. on Thursday, 16 May 2019.

4. Completion and delivery of the form of proxy will not preclude members from attending and voting in person at the EGM and in such event, the relevant form of proxy shall be deemed to be revoked.

5. In compliance with the Listing Rules and the Articles of association of the Company, all resolutions set out in this notice of the EGM will be voted on by way of poll.

As at the date of this notice, the Board comprises Mr. Jin Ming and Ms. He Hongmei as executive Directors; Mr. Yang Weiqiang as non-executive Director; and Mr. Zhong Ming, Mr. Zhou Xiaoyu and Mr. Zhang Guodong as independent non-executive Directors.