FORDOO 虎都

CHINA FORDOO HOLDINGS LIMITED

中國虎都控股有限公司

(incorporated in the Cayman Islands with limited liability)

Stock Code: 2399

2014
INTERIM REPORT

Contents

Corporate Information

Board of Directors and Committees

Executive Directors

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

Independent Non-executive Directors

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

Audit Committee

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

Remuneration Committee

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

Nomination Committee

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

Company Secretary

Mr. Chung Ming Kit *HKICPA, CFA*

Authorized Representatives

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

Auditor

KPMG, Certified Public Accountants

Legal Advisor as to Hong Kong law

Orrick, Herrington & Sutcliffe

Legal Advisor as to PRC law

King & Wood Mallesons

Compliance Advisor

CMB International Capital Limited

Registered Office

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

Headquarters and Principal Place of Business

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

Cayman Islands Share Registrar

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

Hong Kong Share Registrar

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

Principal Bankers

China CITIC Bank Corporation Limited
China Minsheng Banking Corp., Ltd.
China Everbright Bank Company Limited
China Construction Bank Corporation
Xiamen International Bank Co., Ltd.
Jiangsu International Trust Corporation Limited
Fujian Haixia Bank Co., Ltd.

IR Contact

For more information about the Group, please contact the investor relations department at:
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Company Website

www.fordoo.cn

Financial Highlights

- Total turnover of the Group increased by 6.8% to RMB766.2 million (2013: RMB717.4 million).
- Gross profit of the Group increased by 13.0% to RMB269.1 million (2013: RMB238.3 million).
- EBITDA of the Group increased by 7.1% to RMB200.3 million (2013: RMB187.0 million).
- Net profit of the Group increased by 8.5% to RMB128.7 million (2013: RMB118.6 million).
- Basic and diluted earnings per share increased by 8.5% to RMB36 cents (2013: RMB33 cents).

	For the six months ended		
	30 June 2014	30 June 2013	**Change**
Profitability ratios			
Gross profit margin	**35.1%**	33.2%	1.9 ppt
EBITDA margin	**26.1%**	26.1%	No change
Net profit margin	**16.8%**	16.5%	0.3 ppt
Return on equity [(1)]	**34.2%**	51.5%	–17.3 ppt

	As at 30 June 2014	As at 30 June 2013
Liquidity ratios		
Inventory turnover (Days)[(2)]	**19**	19
Trade receivables turnover (Days)[(3)]	**119**	87
Trade payables turnover (Days)[(4)]	**53**	44
Capital ratios		
Interest coverage ratios[(5)]	**16**	14
Gearing ratio (%)[(6)]	**38.6%**	98.9%

Notes:

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

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

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

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

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

(6) Net debt divided by total equity as of the end of the period. Net debt includes bank borrowings and amount due to the controlling shareholder of the Company, Mr. Kwok Kin Sun, net of cash and cash equivalents, pledged bank deposits and fixed deposits held at bank.

Management Discussion and Analysis

Overview

In the first half of 2014, China's economic growth continued to slowdown and the retail market remained weak. Consumer sentiment showed no sign of notable recovery, which affect many businesses, including the apparel industry. According to the National Bureau of Statistics of China, the country's gross domestic product for the first half of the year increased by 7.4% year-on-year to RMB26,904.4 billion. The growth rate was down by 0.2 percentage point compared to that of the corresponding period of last year. The growth of the apparel retail industry also slowed down. Total retail sales of garments, hats, footwear and knitwear recorded a 10.0% year-on-year increase which was 1.9 percentage points lower than that of the corresponding period in 2013. As a result, China Fordoo Holdings Limited (the "Company" or "Fordoo", together with its subsidiaries, known as the "Group") recorded a slower growth of purchase orders for the 2014 spring/summer collections from the sales fair held in September 2013.

In response to the overall business environment of the retail industry in China, the Group adopted a prudent operation strategy, focusing on improving its distribution channel management and enhancing its product quality and design. This has contributed to the rebound of the purchase orders from our distributors for the 2014 fall/winter collections from the sales fair held in March 2014.

Financial Review

For the six months ended 30 June 2014, profit attributable to equity shareholders of the Company (the "Shareholders") was approximately RMB128.7 million, representing an increase of 8.5% as compared to RMB118.6 million for the corresponding period last year. The increase was mainly due to the expansion of the Company's distribution network and the increase of its brand awareness. As of 30 June 2014, the Group has 1,353 retail outlets (including 2 self-operated retail stores), representing a net increase of 53 retail outlets from 1,300 as at 31 December 2013.

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

Turnover

For the six months ended 30 June 2014, turnover increased by approximately 6.8% to RMB766.2 million from RMB717.4 million for the same period last year. The increase in turnover was primarily due to the increase in the average wholesale price of our products. The average wholesale price increased to RMB133.4 in the first half of 2014 from RMB124.2 in the corresponding period of 2013, primarily due to: (i) the growing recognition of the Group's "FORDOO" brand; (ii) an increase in the sale of products with higher average wholesale price, and (iii) an increase in procurement price of raw materials, which was largely passed on to the Group's customers.

Turnover by product type

	For the six months ended				
	30 June 2014		30 June 2013		**Change**
	RMB million	**% of turnover**	RMB million	% of turnover	
Apparel					
Men's trousers	**458.1**	**59.8%**	392.0	54.6%	16.9%
Men's tops	**304.6**	**39.7%**	315.3	44.0%	–3.4%
Accessories	**3.5**	**0.5%**	10.1	1.4%	–65.2%
Total	**766.2**	**100.0%**	717.4	100.0%	6.8%

Trousers remained the major contributor by sales during the first half of 2014 with a proportion of 59.8% of the Group's turnover (30 June 2013: 54.6%).

Turnover by product style

	For the six months ended				
	30 June 2014		30 June 2013		**Change**
	RMB million	**% of turnover**	RMB million	% of turnover	
Apparel					
Business Casual	**485.9**	**63.4%**	438.4	61.1%	10.8%
Business Formal	**223.3**	**29.1%**	202.9	28.3%	10.0%
Casual	**53.5**	**7.0%**	66.0	9.2%	–18.9%
Accessories	**3.5**	**0.5%**	10.1	1.4%	–65.2%
Total	**766.2**	**100.0%**	717.4	100.0%	6.8%

Business casual series continued to be our largest turnover contributor for the first half of 2014 with a proportion of 63.4% of the Group's turnover (30 June 2013: 61.1%). Notwithstanding the unfavorable consumer sentiment, the Group still maintained a healthy growth in the business formal and business casual series. However, the purchase order of jeans in the casual series was more affected by the weak market sentiment in the country.

Turnover by region

	For the six months ended				
	30 June 2014		30 June 2013		**Change**
Region	**RMB million**	**% of turnover**	RMB million	% of turnover	
Northern China (1)	**120.4**	**15.7%**	111.6	15.5%	7.9%
Northeastern China (2)	**47.7**	**6.2%**	40.6	5.7%	17.7%
Eastern China (3)	**269.0**	**35.1%**	243.2	33.9%	10.6%
Central Southern China (4)	**121.7**	**15.9%**	114.1	15.9%	6.7%
Southwestern China (5)	**106.3**	**13.9%**	107.3	15.0%	–0.9%
Northwestern China (6)	**95.8**	**12.5%**	89.8	12.5%	6.7%
Subtotal	**760.9**	**99.3%**	706.6	98.5%	7.7%
Online distributor	**2.4**	**0.3%**	7.9	1.1%	–69.9%
Self-operated retail outlets	**2.9**	**0.4%**	2.9	0.4%	–
Total	**766.2**	**100.0%**	717.4	100.0%	6.8%

Notes:

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

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

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

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

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

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

The Group sold a small quantity of our products to our online distributor, who then sells our products to end customers through different third-party online platforms such as Tmall.com and JD.com. We cut down on our sales to online distributor while we were revisiting our online sales strategies during the period under review, leading to a decrease in sales to it from RMB7.9 million to RMB2.4 million.

Cost of Sales

Cost of sales increased by approximately 3.7% to RMB497.1 million from approximately RMB479.1 million for the corresponding period of last year. The increase was mainly due to the increase in the purchase price of raw materials.

The Group continued to engage in a combination of self-production and outsourced production (OEM purchases) in manufacturing its products to achieve the best product quality, cost efficiency and flexibility in production arrangement. During the first half of 2014, production was first assigned to the Group's own facilities before subcontracting and outsourcing arrangements were considered. This helped to better protect the copyrights of the Group's own design. The proportion of self-developed products was also increased. In the first half of 2014, self-production accounted for approximately 71.6% of the total cost of sales, representing an increase of 1.6 percentage points as compared to that of the corresponding period of last year.

Gross Profit and Gross Profit Margin

Gross profit for the first half of 2014 increased by approximately 13.0% year-on-year to RMB269.1 million. Gross profit margin increased 1.9 percentage points year-on-year to 35.1%.

The increase in gross profit margin was mainly attributable to the increase in average selling price during the first half of 2014 as we have increased our focus on production of products with higher gross profit margin.

Other Revenue and Other Net (Loss)/Income

Other revenue increased by approximately RMB9.1 million year-on-year to RMB10.4 million for the first half of 2014. The increase in other revenue was mainly attributed to an increase in government grants. During the period under review, the Group was granted subsidies amounted to RMB8.2 million (30 June 2013: RMB0.1 million) from the PRC local government in recognition of its contribution to the economic development.

Other net income decreased by approximately RMB4.3 million year-on-year to other net loss of RMB0.02 million for the first half of 2014. The decrease in other net income was mainly due to: (i) a decrease in net foreign exchange gain as a result of exchange rate fluctuations of Renminbi against Hong Kong dollars in relation to the amount due to the controlling shareholder of the Company, Mr. Kwok Kin Sun (which was fully settled before 30 June 2014); and (ii) a decrease in gain on disposal of property, plant and equipment and prepayment for leasehold land.

Selling and Distribution Expenses

During the first half of 2014, the selling and distribution expenses amounted to approximately RMB44.7 million, accounting for approximately 5.8% of total turnover, representing a year-on-year increase of 0.7 percentage points.

In particular, advertising and promotional expenses and decoration expenses recorded approximately RMB27.6 million, which accounted for approximately 3.6% of the total turnover, up by 0.2 percentage points when compared to that of the corresponding period of last year. The Group continued to take initiatives to promote its corporate image through multi-channel marketing and store renovation.

Administrative and Other Operating Expenses

During the first half of 2014, the Group's administrative and other operating expenses increased by approximately RMB11.6 million year-on-year to RMB47.2 million, which accounted for approximately 6.2% of turnover, up by 1.2 percentage points when compared to 5.0% for the corresponding period of last year. The increase was primarily caused by the listing expenses in relation to the initial public offering of the shares of the Company (the "Shares") of approximately RMB13.7 million which have been charged to administrative and other operating expenses in the first half of 2014.

Finance Costs

During the first half of 2014, finance cost decreased by approximately 5.5% year-on-year to RMB11.9 million, mainly due to lower average borrowing balance and lower average interest rate.

Income Tax

The effective income tax rate for the first half of 2014 was 26.8%, up by 1.3 percentage points from 25.5% of the corresponding period of last year, mainly due to some offshore expenses incurred which were not tax deductible.

Profit Attributable to Equity Shareholders of the Company

For the six months ended 30 June 2014, profit attributable to the Shareholders was approximately RMB128.7 million, representing a year-on-year increase of 8.5%.

Net profit margin was 16.8% for the six months ended 30 June 2014, representing a year-on-year increase of 0.3%.

Interim Dividend

The board (the "Board") of directors ("Directors") of the Company has resolved not to declare the payment of any interim dividend for the six months ended 30 June 2014.

Use of Proceeds

The Shares were listed on The Main Board of the Stock Exchange of Hong Kong Limited (the "Stock Exchange") on 16 July 2014 with net proceeds from the global offerings of approximately HK$454.7 million (after deducting underwriting commissions and related expenses). As of the date of the report, we have utilized HK$90.9 million for repayment of our bank borrowings. The proceeds not utilized were deposited into interest bearing bank accounts with licensed commercial banks in Hong Kong and China. The Directors intended to continue to apply the unused proceeds in the manner as set out in the prospectus of the Company dated 30 June 2014 (the "Prospectus").

Management Discussion and Analysis

Business Review

Distribution Network

Changes in the number of stores in different regions during the reporting period were as follows:

	Number of stores			
Region	As of 1 January 2014	**Stores opened during the period**	**Stores closed during the period**	**As of 30 June 2014**
Northern China	238	3	2	**239**
Northeastern China	69	6	1	**74**
Eastern China	423	21	1	**443**
Central Southern China	226	19	1	**244**
Southwestern China	188	8	7	**189**
Northwestern China	154	8	–	**162**
Subtotal	1,298	65	12	**1,351**
Self-operated retail outlets	2	–	–	**2**
Total	1,300	65	12	**1,353**

The Group has been striving to optimize its retail and sales network and enhance its store efficiency for a healthy and long term business development. As of 30 June 2014, the Group had 1,353 retail outlets (including 2 self-operated retail stores), representing a net increase of 53 retail outlets from 1,300 as at 31 December 2013, spanning over 240 cities and 31 provinces, autonomous regions and central government-administered municipalities in the PRC. As of 30 June 2014, 75.2% of the retail outlets were located in department stores or shopping malls whereas 24.8% of the retail outlets were stand-alone stores. The increase in retail outlets was a strategy to further penetrate the markets in the second and third-tier cities in the PRC, where we already had significant presence.

Distribution Channel Management

As of 30 June 2014, the Group's distribution network further expanded to 52 distributors and 180 sub-distributors. Starting from January 2014, the Group has entered into distribution agreements with its distributors based on a revised form, which contains additional terms, including, among other things, that its distributors are required to provide the Group with quarterly sales reports and its distributors are required to enter into sub-distribution agreements with their sub-distributors, that are on substantially the same terms and conditions of the form of sub-distribution agreement provided by the Group.

Marketing and Promotion

The Group continued to upgrade its existing stores during the first half of 2014 to enhance and reinforce its brand image. This measure was an integral part of the Group's brand promotion campaign. The Group had renovated 41 existing stores during the first half of 2014, and the plan for renovating another 59 stores by the end of the year remained on track.

During the interim period, the Group continued to actively carry out regular advertising and promotion activities through various channels, such as advertisements in fashion magazines, promotion activities in the internet, and other media, and large advertising billboard in airport, highway and well known department stores.

In addition, in an effort to promote its brand and appeal to a broader audience, the Group has invited a well-known Chinese actor, Mr. Ma Tak Chung, Joe (馬德鐘), as the spokesperson for its business formal wear in PRC.

Design and Product Development

The Group always attaches great importance to style and quality of its products. Adhering to this philosophy, the Group has committed to achieve excellence through continuous research, design and development of new products over the years. Currently, we have a product design and development team of over 119 members. The key team members, who plan, implement, supervise and manage the design and development efforts, have on average 10 years of experience in the fashion industry. Through conversations with its distributors, the Group has strategically integrated a business model that has enabled the Group to channel feedback and market information from the retail level to its design and product development team.

Sales Fair

The 2014 fall/winter collections sales fair was held in March 2014. The Group recorded an encouraging purchase order increase of approximately 24.0% compared to the purchase order placed for its 2013 fall/winter collections in the sales fair held in September 2013.

Awards

We are strongly committed to product quality and have established a comprehensive quality control system, which is one of the principal factors contributing to our success. The Group won the title of "Quality Award" in the 2014 by China National Garment Association (中國服裝協會). The award is widely recognized by the industry.

Prospects

For the first half of 2014, macro-economic uncertainty and the risk of a slower economic growth were still one of the main concerns which the Group was paying close attention to. The lack of notable recovery in consumer confidence will continue to pose opportunities and challenges to the apparel industry in China. Nevertheless, the Group continues to adopt a cautiously optimistic view with respect to the growth of consumer demand in menswear market in China. The Group is confident that the ongoing urbanization and expanding middle class in China will generate a strong demand on apparels in the long run. Particularly, customers have increasingly focused on personal style, product design and quality. The Group believes that it is in the right position to capitalize on the trend.

The Group will continue to enhance its control over its distributors and sub-distributors, and will further strengthen its design and product development capabilities. The Group will also continue to evaluate the performances of its existing distributors and identify other new distributors that would complement its current distribution network as appropriate.

Looking ahead to the second half of the year, the Group endeavours to seize every opportunity in the market for development. The Group still maintains its target for its distributors to add approximately 200 retail outlets within 2014. The Group will launch a new casual fashion series targeting younger customers aged 18 to 30 in the coming 2015 spring/summer sales fair to be held in September 2014. The Group also plans to kick off the implementation of the ERP system. The Group will continue to equip itself for future development, with the objective of ensuring sustainable growth of the Group and rewarding its shareholders, employees and customers for their support.

Liquidity, Financial Resources and Capital Structure

As at 30 June 2014, the Group had total bank borrowings of approximately RMB477.1 million (31 December 2013: RMB357.0 million). The net debt position as at 30 June 2014 with comparative figures for the same period of 2013, were as follows:

	As at 30 June 2014 RMB'000	As at 31 December 2013 RMB'000
Cash and bank balances (including pledged bank deposits and fixed deposits held at bank)	186,515	89,531
Less: Total borrowings	(477,110)	(357,000)
Less: Amount due to Mr. Kwok Kin Sun	–	(129,175)
Net Debt	(290,595)	(396,644)

Bank borrowings that were repayable within one year or on demand as at 30 June 2014, with comparative figures for the same period of 2013 were as follows:

	As at 30 June 2014 RMB'000	As at 31 December 2013 RMB'000
Bank borrowings		
— Secured	387,110	224,000
— Unsecured	90,000	133,000
Total	477,110	357,000

Cash inflow from operating activities for the six months ended 30 June 2014 amounted to approximately RMB227.0 million (30 June 2013: RMB64.7 million).

The increase was mainly attributed to an increase in profit before taxation of approximately RMB16.6 million and a decrease in working capital balance of RMB66.1 million (30 June 2013: increase in working capital balance of RMB76.8 million).

The cash flow used in investing activities for the six months ended 30 June 2014 amounted to approximately RMB258.3 million mainly attributed to the payment for changes of land use right from industrial use to commercial and service use for a parcel of land with a site area of approximately 57,228 sq.m. in Hui'an, Fujian Province.

The cash flow generated from financing activities for the six months ended 30 June 2014 was approximately RMB18.1 million.

As at 30 June 2014, the Group's total equity increased by approximately RMB171.1 million to RMB753.5 million (31 December 2013: RMB582.4 million).

Trade Working Capital Ratios and Gearing Ratio

The Group's average inventory turnover days was 19 days for both the first half of 2014 and 2013.

The Group's average trade receivables turnover days for the first half of 2014 was 119 days, an increase of 32 days from 87 days for the same period last year. The increase in average trade receivables turnover days was mainly attributable to our offer of longer credit periods to some distributors compared to that we offered to them in 2013 based on our assessment of, among others, their relationship with us, credit history and historical sales level.

The Group's average trade payables turnover days was 53 days for the first half of 2014, an increase of 9 days as compared to 44 days for the same period last year. The increase in the average trade payables turnover days was primarily due to a decrease in the outsourced production during the interim period, of which the credit terms were shorter compared to those for the raw material suppliers.

As at 30 June 2014, the Group's gearing ratio, being the ratio of net debts to total equity, was 38.6% (30 June 2013: 98.9%).

Charges of Assets

As at June 2014, secured bank borrowings were secured by certain buildings, investment properties, land use rights and pledged bank deposits with carrying value of RMB264,409,000 (31 December 2013: RMB269,942,000), RMB27,897,000 (31 December 2013: RMB28,491,000), RMB41,542,000 (31 December 2013: RMB42,032,000) and RMB128,576,000 (31 December 2013: Nil), respectively.

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

During the first half of 2014, there was no significant investment, material acquisition or disposal of subsidiaries and associated companies by the Company save as disclosed in the Prospectus.

Future Plans for Material Investments and Capital Assets

Save as disclosed in the Prospectus, the Group did not have any plans for material investments and capital assets.

Capital Commitments and Contingencies

As at 30 June 2014, the Group has a total capital commitment of RMB249.7 million, primarily related to the proposed construction of a new research and development centre in Hui'an, Fujian Province. These capital commitments are expected to be financed by internal resources of the Group.

As at 30 June 2014, the Group has no material contingent liabilities.

Foreign Currency Exposure

The functional currency of the Company is the Hong Kong dollar and the Company's financial statements are translated into Renminbi for reporting and consolidated purpose. Foreign exchange differences arising from translation of financial statements are directly recognized in equity as a separate reserve. As the Group conducts business transaction principally in Renminbi, the exchange rate risk at the Group's operational level is not significant. Accordingly, the Group does not employ any financial instruments for hedging purpose.

Employees, Training, and Development

The Group had a total of 3,550 employees as at 30 June 2014 (31 December 2013: 3,564). The Group invests in regular training and other development courses for employees to enhance their technical and product knowledge as well as management skills. The Group offers competitive remuneration packages to its employees, including basic salary, allowances, insurance, and commission/bonuses.

Review Report of the Auditor

Review report to the Board of Directors of
China Fordoo Holdings Limited
(Incorporated in the Cayman Islands with limited liability)

Introduction

We have reviewed the interim financial report set out on pages 13 to 26 which comprises the consolidated statement of financial position of China Fordoo Holdings Limited (the "Company") as of 30 June 2014 and the related consolidated statement of profit or loss and other comprehensive income, consolidated statement of changes in equity and condensed consolidated cash flow statement for the six-month period then ended and explanatory notes. The Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited require the preparation of an interim financial report to be in compliance with the relevant provisions thereof and International Accounting Standard 34, *Interim financial reporting*, issued by the International Accounting Standards Board. The directors are responsible for the preparation and presentation of the interim financial report in accordance with International Accounting Standard 34.

Our responsibility is to form a conclusion, based on our review, on the interim financial report and to report our conclusion solely to you, as a body, in accordance with our agreed terms of engagement, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report.

Scope of review

We conducted our review in accordance with Hong Kong Standard on Review Engagements 2410, *Review of interim financial information performed by the independent auditor of the entity*, issued by the Hong Kong Institute of Certified Public Accountants. A review of the interim financial report consists of making enquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with Hong Kong Standards on Auditing and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly we do not express an audit opinion.

Conclusion

Based on our review, nothing has come to our attention that causes us to believe that the interim financial report as at 30 June 2014 is not prepared, in all material respects, in accordance with International Accounting Standard 34, *Interim financial reporting*.

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

27 August 2014

Consolidated Statement of Profit or Loss and Other Comprehensive Income

For the six months ended 30 June 2014 — unaudited
(Expressed in Renminbi)

		Six months ended 30 June	
	Note	**2014 RMB'000**	2013 RMB'000
Turnover	*3*	**766,207**	717,393
Cost of sales		**(497,062)**	(479,120)
Gross profit		**269,145**	238,273
Other revenue		**10,419**	1,286
Other net (loss)/income		**(24)**	4,247
Selling and distribution expenses		**(44,737)**	(36,558)
Administrative and other operating expenses		**(47,159)**	(35,526)
Profit from operations		**187,644**	171,722
Finance costs	*4(a)*	**(11,912)**	(12,608)
Profit before taxation	*4*	**175,732**	159,114
Income tax	*5*	**(47,034)**	(40,522)
Profit for the period		**128,698**	118,592
Other comprehensive income for the period			
Item that may be reclassified subsequently to profit or loss:			
Exchange differences on translation of financial statements of subsidiaries outside the mainland of the People's Republic of China (the "PRC")		**1,210**	–
Total comprehensive income for the period		**129,908**	118,592
Earnings per share (RMB cents)			
Basic and diluted	*6*	**36**	33

The notes on pages 18 to 26 form part of this interim financial report.

Consolidated Statement of Financial Position

At 30 June 2014 — unaudited
(Expressed in Renminbi)

	Note	At 30 June 2014 RMB'000	At 31 December 2013 RMB'000
Non-current assets			
Property, plant and equipment	7	**402,331**	485,897
Investment properties		**27,897**	28,491
Lease prepayments	7	**285,120**	65,104
Total non-current assets		**715,348**	579,492
Current assets			
Inventories	8	**55,947**	48,648
Trade and other receivables	9	**578,329**	621,326
Pledged bank deposits		**128,576**	–
Fixed deposits held at bank with original maturity over three months		**8,000**	26,500
Cash and cash equivalents		**49,939**	63,031
Total current assets		**820,791**	759,505
Current liabilities			
Bank borrowings	10	**477,110**	357,000
Trade and other payables	11	**278,024**	248,560
Current tax payable		**27,537**	21,862
Total current liabilities		**782,671**	627,422
Net current assets		**38,120**	132,083
Total assets less current liabilities		**753,468**	711,575
Non-current liability			
Amount due to the ultimate controlling party		**–**	129,175
NET ASSETS		**753,468**	582,400

Consolidated Statement of Financial Position

At 30 June 2014 — unaudited
(Expressed in Renminbi)

	Note	**At 30 June 2014 RMB'000**	At 31 December 2013 RMB'000
CAPITAL AND RESERVES	*12*		
Share capital		**–**	11
Reserves		**753,468**	582,389
TOTAL EQUITY		**753,468**	582,400

The notes on pages 18 to 26 form part of this interim financial report.

Consolidated Statement of Changes in Equity

For the six months ended 30 June 2014 — unaudited
(Expressed in Renminbi)

	Note	Share capital RMB'000 Note 12(a)	Capital reserve RMB'000 Note 12(b)	Statutory reserve RMB'000 Note 12(c)	Exchange reserve RMB'000 Note 12(d)	Share-based payment reserve RMB'000 Note 12(e)	Retained profits RMB'000	Total RMB'000
As at 1 January 2013		11	–	27,696	–	5,118	308,043	340,868
Changes in equity for the six months ended 30 June 2013:								
Total comprehensive income for the period		–	–	–	–	–	118,592	118,592
Equity-settled share-based payments for non-employees	12(e)	–	–	–	–	1,147	–	1,147
As at 30 June 2013		11	–	27,696	–	6,265	426,635	460,607
As at 1 January 2014		11	–	27,699	–	8,106	546,584	582,400
Changes in equity for the six months ended 30 June 2014:								
Profit for the period		–	–	–	–	–	128,698	128,698
Other comprehensive income for the period		–	–	–	1,210	–	–	1,210
Total comprehensive income for the period		–	–	–	1,210	–	128,698	129,908
Equity-settled share-based payments for non-employees	12(e)	–	–	–	–	2,148	–	2,148
Elimination of capital on reorganisation	12(a)(ii)	(11)	–	–	–	–	–	(11)
Waiver of amount due to the ultimate controlling party	12(b)	–	39,023	–	–	–	–	39,023
As at 30 June 2014		–	39,023	27,699	1,210	10,254	675,282	753,468

The notes on pages 18 to 26 form part of this interim financial report.

Condensed Consolidated Cash Flow Statement

For the six months ended 30 June 2014 — unaudited
(Expressed in Renminbi)

	Six months ended 30 June	
	2014	2013
	RMB'000	RMB'000
Operating activities		
Cash generated from operations	**268,404**	106,754
Income tax paid	**(41,359)**	(42,061)
Net cash generated from operating activities	**227,045**	64,693
Investing activities		
Payment for purchase of lease prepayments	**(209,693)**	(12,833)
Proceeds from disposal of property, plant and equipment and lease prepayment	**61,600**	69,114
Decrease in fixed deposits held at bank with original maturity over three months (net)	**18,500**	–
(Increase)/decrease in pledged bank deposits (net)	**(128,065)**	10,000
Other cash flows arising from investing activities	**(599)**	(45)
Net cash (used in)/generated from investing activities	**(258,257)**	66,236
Financing activities		
Proceeds from bank borrowings	**253,110**	120,000
Repayment of bank borrowings	**(133,000)**	(134,000)
Decrease in amount due to the ultimate controlling party (net)	**(90,393)**	(94,321)
Interest paid	**(11,597)**	(12,753)
Net cash generated from/(used in) financing activities	**18,120**	(121,074)
Net (decrease)/increase in cash and cash equivalents	**(13,092)**	9,855
Cash and cash equivalents at 1 January	**63,031**	56,334
Cash and cash equivalents at 30 June	**49,939**	66,189

The notes on pages 18 to 26 form part this interim financial report.

Notes to the Unaudited Interim Financial Report

(Expressed in Renminbi unless otherwise indicated)

1 General information and basis of preparation

(a) General information

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

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

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

(b) Basis of preparation

This interim financial report has been prepared in accordance with the applicable disclosure provisions of the Rules Governing the Listing of Securities on the Stock Exchange, including compliance with International Accounting Standard ("IAS") 34, *Interim Financial Reporting*, issued by the International Accounting Standard Board ("IASB"). It was authorised for issue on 27 August 2014.

The interim financial report has been prepared in accordance with the same accounting policies adopted in the combined financial statements of the Group for the year ended 31 December 2013.

The preparation of an interim financial report in conformity with IAS 34 requires management to make judgements, estimates and assumptions that affect the application of policies and reported amounts of assets and liabilities, income and expenses on a year-to-date basis. Actual results may differ from these estimates.

This interim financial report contains condensed consolidated financial statements and selected explanatory notes. The notes include an explanation of events and transactions that are significant to an understanding of the changes in financial position and performance of the Group since the combined financial statements for the year ended 31 December 2013. The condensed consolidated interim financial statements and notes thereon do not include all of the information required for a full set of financial statements prepared in accordance with International Financial Reporting Standards ("IFRSs").

1 General information and basis of preparation (Continued)

(b) Basis of preparation (Continued)

The interim financial report is unaudited, but has been reviewed by KPMG in accordance with Hong Kong Standard on Review Engagements 2410, *Review of interim financial information performed by the independent auditor of the entity*, issued by the Hong Kong Institute of Certified Public Accountants. KPMG's independent review report to the Board of Directors is included on page 12.

The financial information relating to the financial year ended 31 December 2013 that is included in the interim financial report as being previously reported information does not constitute the Company's combined financial statements for that financial year but is derived from those financial statements.

2 Changes in accounting policies

The IASB has issued a number of amendments to IFRSs and one new Interpretation that are first effective for the current accounting period of the Group and the Company. Of these, the following developments are relevant to the Group's financial statements:

- Amendments to IAS 32, *Offsetting financial assets and financial liabilities*

- IFRIC 21, *Levies*

None of these developments have had a material effect on how the Group's results and financial position for the current or prior periods have been prepared or presented.

The Group has not applied any new standard or Interpretation that is not yet effective for the current accounting period.

3 Turnover

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

4 Profit before taxation

Profit before taxation is arrived at after charging:

		Six months ended 30 June	
		2014	2013
		RMB'000	RMB'000
(a)	**Finance costs:**		
	Interest on bank borrowings	**11,912**	12,608
(b)	**Staff costs:**		
	Contributions to defined contribution retirement plans	**956**	3,455
	Salaries, wages and other benefits	**77,079**	72,914
		78,035	76,369
(c)	**Other items:**		
	Amortisation of lease prepayments	**490**	561
	Depreciation	**12,211**	14,766
	Research and development costs *(note (i))*	**6,820**	5,806
	Cost of inventories *(note (ii))*	**497,062**	479,120
	Equity-settled share-based payments for non-employees	**2,148**	1,147

Notes:

(i) Research and development costs include staff costs of employees in the design and product development department of RMB4,889,000 (six months ended 30 June 2013: RMB4,314,000) which are included in the staff costs as disclosed in note 4(b).

(ii) Cost of inventories includes RMB69,466,000 (six months ended 30 June 2013: RMB69,447,000) relating to staff costs, depreciation and amortisation expenses, which amount is also included in the respective total amounts disclosed separately above or in note 4(b) for each of these types of expenses.

5 Income tax

(a) Income tax in the consolidated statement of profit or loss and other comprehensive income

	Six months ended 30 June	
	2014	2013
	RMB'000	RMB'000
Current tax		
PRC Corporate Income Tax	**47,034**	40,522

Notes:

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

(ii) No provision was made for Hong Kong Profits Tax as the Group did not earn any assessable profit subject to Hong Kong Profits Tax during the six months ended 30 June 2014 and 2013.

(iii) According to the PRC Corporate Income Tax ("CIT") Law, the Company's PRC subsidiaries are subject to income tax at the statutory rate of 25%.

(b) Deferred tax assets not recognised

At 30 June 2014, the Group did not recognise deferred tax assets in respect of unused tax losses of subsidiaries of RMB1,443,000 (31 December 2013: RMB835,000) and other temporary differences of RMB992,000 (31 December 2013: RMB2,704,000). As of 30 June 2014, tax losses of RMB608,000 will expire by the end of 2019, if unused (31 December 2013: RMB545,000). The cumulative tax losses have not been recognised as it is not probable that future taxable profits against which the losses can be utilised will be available in the relevant tax jurisdiction and entities.

(c) Deferred tax liabilities not recognised

Pursuant to the PRC Corporate Income Tax Law and its related regulations, the Group is subject to withholding tax at 10% (unless reduced by tax treaties/arrangements) on dividends receivable from its PRC subsidiaries in respect of their profits generated since 1 January 2008. As at 30 June 2014, deferred tax liabilities in respect of the PRC dividend withholding tax relating to the undistributed profits of the Company's PRC subsidiaries of RMB676,984,000 (31 December 2013: RMB534,097,000) were not recognised as the Company controls the dividend policy of these subsidiaries and it has determined that those profits will not be distributed in the foreseeable future.

6 Earnings per share

The calculation of basic earnings per share for the six months ended 30 June 2014 is based on the profit for the period of RMB128,698,000 (six months ended 30 June 2013: RMB118,592,000) and weighted average number of 360,000,000 shares during the six months ended 30 June 2014 (six months ended 30 June 2013: 360,000,000 shares). The weighted average number of shares comprises 10,000 shares in issue at 30 June 2014 and 359,990,000 shares issued pursuant to the capitalisation issue which took place immediately before the Company's listing of its shares on the Stock Exchange on 16 July 2014 as if the shares were outstanding throughout the entire six months ended 30 June 2014 and 2013.

There were no potential dilutive ordinary shares during the six months ended 30 June 2014 and 2013 and, therefore, diluted earnings per share are the same as the basic earnings per share.

7 Property, plant and equipment and lease prepayments

During the six months ended 30 June 2014, the Group acquired items of property, plant and equipment with a cost of RMB727,000 (six months ended 30 June 2013: RMB473,000), the Group also paid RMB209,693,000 (six months ended 30 June 2013: RMB Nil) to change the original land use right from industrial use to commercial and service use for a parcel of land in Hui'an, Fujian Province.

Items of property, plant and equipment and a land use right with a net book value of RMB53,371,000 and RMB8,492,000, respectively (six months ended 30 June 2013: RMB121,304,000 and RMB6,813,000, respectively) were disposed of during the six months ended 30 June 2014.

8 Inventories

	At 30 June 2014 RMB'000	At 31 December 2013 RMB'000
Raw materials	**26,383**	16,269
Work in progress	**10,729**	6,510
Finished goods	**18,835**	25,869
	55,947	48,648

9 Trade and other receivables

	At 30 June 2014 RMB'000	At 31 December 2013 RMB'000
Trade receivables *(note (b) and (c))*	**564,318**	615,616
Prepayments to suppliers	**1,981**	1,602
Other deposits, prepayments and receivables	**12,030**	4,108
	578,329	621,326

9 Trade and other receivables (Continued)

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

(b) An ageing analysis of trade receivables, based on invoice date, is as follows:

	At 30 June 2014 RMB'000	At 31 December 2013 RMB'000
Within 3 months	**433,588**	393,450
More than 3 months but within 6 months	**130,730**	222,166
	564,318	615,616

Trade receivables are due within 90–180 days (2013: 90–180 days) from the date of billing.

(c) An ageing analysis of the trade receivables that are neither individually nor collectively considered to be impaired is as follows:

	At 30 June 2014 RMB'000	At 31 December 2013 RMB'000
Neither past due nor impaired	**564,318**	615,616

10 Bank borrowings

The bank borrowings were repayable within one year or on demand as follows:

	At 30 June 2014 RMB'000	At 31 December 2013 RMB'000
Bank borrowings		
— secured	**387,110**	224,000
— unsecured	**90,000**	133,000
	477,110	357,000

At 30 June 2014, secured bank borrowings were secured by certain buildings, investment properties, land use rights and pledged bank deposits with carrying value of RMB264,409,000 (31 December 2013: RMB269,942,000), RMB27,897,000 (31 December 2013: RMB28,491,000), RMB41,542,000 (31 December 2013: RMB42,032,000) and RMB128,576,000 (31 December 2013: RMB Nil), respectively.

11 Trade and other payables

	At 30 June 2014 RMB'000	At 31 December 2013 RMB'000
Trade payables *(note (a))*	**165,144**	128,132
Receipts in advance	**1,833**	14,049
Other payables and accruals	**111,047**	106,379
	278,024	248,560

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

(a) An ageing analysis of the trade payables is as follows:

	At 30 June 2014 RMB'000	At 31 December 2013 RMB'000
Due within 1 month or on demand	**59,119**	57,061
Due after than 1 month but within 3 months	**106,025**	71,071
	165,144	128,132

12 Share capital and reserves

(a) Share capital

(i) Authorised share capital

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

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

(ii) Reorganisation

On 13 January 2014, in connection with the Reorganisation, the Company acquired the entire issued share capital of Bigtime Global Limited at par value of US$1.0 each. Upon completion, Bigtime Global Limited became a wholly-owned subsidiary of the Company.

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

12 Share capital and reserves (Continued)

(a) Share capital (Continued)

(iii) Capitalisation issue and shares issued by share offer

On 16 July 2014, 359,990,000 shares of HK$0.01 each were issued pursuant to the capitalisation issue which took place immediately before the Company's listing of its shares on the Stock Exchange. 120,000,000 new shares of HK$0.01 each were also issued to investors following the completion of the Company's initial public offering on the same day. The issued and fully paid up capital of the Company was then increased to HK$4,800,000 divided into 480,000,000 shares of HK$0.01 each.

(b) Capital reserve

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

(c) Statutory reserve

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

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

(d) Exchange reserve

The exchange reserve comprises all foreign exchange differences arising from the translation of the financial statements of operations outside the mainland China.

(e) Share-based payment reserve

Share-based payment reserve represents the fair value of services provided by parties other than employees to the Group in connection with the listing of the Company and the services were settled by equity instrument of the Company. The relevant services are recognised in accordance with IFRS 2, *Share-based payment*.

13 Commitments

(a) Capital commitments

Capital commitments of the Group in respect of construction in progress outstanding at 30 June 2014 not provided for in the interim financial report:

	At 30 June 2014 RMB'000	At 31 December 2013 RMB'000
Contracted for	**225,624**	234,398
Authorised but not contracted for	**24,048**	24,048
	249,672	258,446

(b) Operating lease commitment

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

	At 30 June 2014 RMB'000	At 31 December 2013 RMB'000
Within 1 year	**664**	–
After 1 year but within 2 years	**387**	–
	1,051	–

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

Disclosure of Interests

Directors' and chief executive's interests and short positions in shares, underlying shares and debentures of the Company or any associated corporations

The Shares were listed on the Stock Exchange on 16 July 2014. As at 16 July 2014, the interests and short positions of each Director and chief executive of the Company in the Shares, underlying Shares and debentures of the Company and its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance ("SFO"), as recorded in the register required to be kept by the Company pursuant to Section 352 of the SFO, or as otherwise notified to the Company and the Stock Exchange pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers ("Model Code") set out in Appendix 10 to the Rules Governing the Listing of Securities on the Stock Exchange (the "Listing Rules"), were as follows:

Interests in ordinary shares of the Company:

Name	Position	Nature of interest	Number of Shares	Approximate percentage of shareholding
Mr. Kwok Kin Sun(1)	Long	Interest in a controlled corporation	244,800,000	51.00%
Mr. Kwok Hon Fung(2)	Long	Interest in a controlled corporation	50,400,000	10.50%

Notes:

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

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

Save as disclosed above, as at 16 July 2014, none of the Directors nor the chief executive of the Company or their associates had registered an interest or a short position in the shares, underlying shares or debentures of the Company or any of its associated corporations that was required to be recorded pursuant to Section 352 of the SFO, or as otherwise notified to the Company and the Stock Exchange pursuant to the Model Code.

Directors' Rights to Acquire Shares or Debentures

During the reporting period, no rights to acquire benefits by means of acquisition of shares in or debenture of the Company were granted to any Directors or their respective spouse or minor children, or were any such rights excised by them; nor was the Company, or any of its subsidiaries a party to any arrangement which enabled the Directors to acquire such rights in and other body corporate.

Other Information

Substantial Shareholders' and Other Persons' Interests and short positions in the Shares and Underlying Shares of the Company

As at 16 July 2014, so far as the Directors are aware, having made all reasonable enquiries, the following interest of 5% or more of the issued share capital of the Company (other than the interests of the Directors as disclosed above) were recorded in the register of interests required to be kept by the Company pursuant to Section 336 of the SFO:

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

Notes:

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

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

Save as disclosed above, as at 16 July 2014, the Company was not aware of any person or corporation having an interest or a short position in the Shares and underlying Shares of the Company which were required to be disclosed to the Company under the provisions of Division 2 and 3 of Part XV of the SFO, or which were recorded in the register required to be under section 336 of the SFO.

Sufficiency of Public Float

Based on the publicly available information and to the best of the Directors' knowledge, information and belief and at the date of this report, the Company has maintained sufficient public float as required under the Listing Rules during the six months ended 30 June 2014.

Review of Interim Results

The Company has an audit committee (the "Audit Committee") which comprises three non-independent Directors, namely Mr. Kwauk Teh-Ming Walter (Chairman of the Audit Committee), Mr. Zhang Longgen and Mr. Zhang Zhaodong. The Audit Committee has reviewed with the management the accounting principles and practices adopted by the Company and discussed auditing, internal control and financial reporting matters including the review of the unaudited interim financial report for the six months ended 30 June 2014.

Share Option Scheme

Our Company adopted the share option Scheme on 9 June 2014 (the "Share Option Scheme"). A summary of principle terms and conditions of Share Option Scheme are set out in the paragraph headed "Share Option Scheme" under the section headed "Statutory and General Information" in Appendix VI of the Prospectus. As at 16 July 2014, no option has been granted pursuant to the Share Option Scheme.

Other Information

Purchase, Sale or Redemption of The Company's Listed Securities

Save for the reorganization for the purpose of listing of the Shares on the Stock Exchange as disclosed in the Prospectus, there was no purchase, sale or redemption of Shares by the Company or any of its subsidiaries during the six months ended 30 June 2014.

Compliance with the Corporate Governance Code

In the opinion of the Directors, the Company has complied with all applicable code provisions of the Corporate Governance Code (the "Code") as set out in Appendix 14 to the Listing Rules during the six months ended 30 June 2014, except for the deviation from the Code provision A.2.1, which stipulates that the roles of chairman and chief executive officer should be separated. Mr. Kwok Kin Sun is currently the chairman of the Board as well as the chief executive officer of the Company.

Mr. Kwok Kin Sun is the founder of the Group. Mr. Kwok has over 20 years of experience in the menswear industry and his vision, leadership and dedication to the Group's development since inception have been core to the success of the Group. At present, the Board believes that it is beneficial to the management and development of the Group's businesses for Mr. Kwok to be both the chairman of the Board and chief executive officer of the Company as it helps to enhance the efficiency of decision-making process in response to the changing environment.

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

Compliance with the Model Code for Securities Transactions by Directors of Listed Issuers

The Company has adopted the code of conduct regarding securities transactions by directors (the "Code of Conduct") on terms no less than the required standard of dealings set out in the Model Code in Appendix 10 of the Listing Rules. Having made specific enquiries to all Directors, the Company confirmed that all Directors had complied with the required standard of dealings under the Code of Conduct throughout the reporting period.

Updates on Compliance and Regulatory Matters as Disclosed in the Prospectus

On 21 February, 2014, Tiger Capital Fashion (Holdings) Company Limited ("Tiger Capital HK") made an application to the High Court of Hong Kong by way of Originating Summons for an order, inter alia, to convene a general meeting which shall be deemed to be the annual general meetings of Tiger Capital HK since its incorporation up to and including 2013, to substitute for the requirement to lay the profit and loss accounts and balance sheets of Tiger Capital HK since its incorporation up to and including 31 December 2013 (the "accounts") before Tiger Capital HK at its annual general meeting a requirement to lay such accounts before Tiger Capital HK at the said general meeting and to extend the period of nine months to lay the accounts to the said general meeting. On 20 May, 2014, the High Court of Hong Kong adjourned the hearing of the said Originating Summons *sine die*.

In view that the hearing of the Original Summons has been adjourned *sine die*, no order has been made in respect of this application as of the date of this interim report. The Company will consult its legal advisers on further steps to be taken in respect of this application and update the Shareholders in due course.

Other Information

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

The Company will, on a regular basis, update the Bureau and the Shareholders on the progress of the Five-year Scheme, and settle the unsubscribed social insurance contribution with any employees as required by them or by any relevant government authority.

Save as disclosed above, our Directors are not aware of any legal, arbitration or administrative proceedings against us, including the matter described above, that will have a material adverse effect on our business, financial condition or results of operations.

On behalf of the Board

Kwok Kin Sun
Chairman

Hong Kong
27 August 2014