

**CHINA FORDOO**  
HOLDINGS LIMITED  
**中國虎都控股有限公司**

(incorporated in the Cayman Island with limited liability)  
STOCK CODE: 2399

**INTERIM REPORT**  
**2015**



  
**FORDOO**  
**虎都**



## About Fordoo

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



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# Corporate Information

## Board of Directors and Committees

### Executive Directors

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

### Independent Non-executive Directors

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

### Audit Committee

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

### Remuneration Committee

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

### Nomination Committee

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

## Company Secretary

Mr. Chung Ming Kit *HKICPA, CFA*

## Authorized Representatives

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

## Auditor

KPMG, Certified Public Accountants

## Legal Adviser as to Hong Kong Law

Orrick, Herrington & Sutcliffe

## Compliance Adviser

CMB International Capital Limited

## Registered Office

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

## Headquarters and Principal Place of Business in the People's Republic of China

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

## Principal Place of Business in Hong Kong

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

## Cayman Islands Share Registrar

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

## Hong Kong Share Registrar

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

## Principal Bankers

Bank of China (Hong Kong) Limited  
 China Construction Bank (Asia) Corporation Limited  
 DBS Bank (Hong Kong) Limited  
 China CITIC Bank Corporation Limited  
 China Construction Bank Corporation  
 China Minsheng Banking Corporation Limited

## IR Contact

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 Wanchai, Hong Kong  
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## Company Website

[www.fordoo.cn](http://www.fordoo.cn)

# Financial Highlights

- Revenue of the Group increased by 8.1% to RMB828.4 million (2014: RMB766.2 million).
- Gross profit of the Group increased by 8.5% to RMB292.0 million (2014: RMB269.1 million).
- EBITDA of the Group increased by 10.9% to RMB222.1 million (2014: RMB200.3 million).
- Net profit of the Group increased by 6.4% to RMB136.9 million (2014: RMB128.7 million).
- Basic and diluted earnings per share decreased by 19.4% to RMB29 cents (2014: RMB36 cents).

	For the six months ended		Change
	30 June 2015	30 June 2014	
<b>Profitability ratios</b>			
Gross profit margin	35.3%	35.1%	0.2 ppt
EBITDA margin	26.8%	26.1%	0.7 ppt
Net profit margin	16.5%	16.8%	-0.3 ppt
Return on equity <sup>(1)</sup>	22.0%	34.2%	-12.2 ppt
	As at 30 June 2015	As at 30 June 2014	
<b>Liquidity ratios</b>			
Inventory turnover (Days) <sup>(2)</sup>	21	19	
Trade and bills receivables turnover (Days) <sup>(3)</sup>	126	119	
Trade payables turnover (Days) <sup>(4)</sup>	48	53	
<b>Capital ratios</b>			
Interest coverage ratios <sup>(5)</sup>	18	16	
Net Debt to equity ratio (%) <sup>(6)</sup>	Net Cash	38.6%	

*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 and bills receivables at the beginning and at the end of the period divided by revenue (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 net of cash and cash equivalents, pledged bank deposits and fixed deposits held at bank. As at 30 June 2015, the Group recorded a net cash position.



# Management Discussion and Analysis

## Overview

In the first half of 2015, China's economy has entered into the "New Normal" phase. The economy has shifted from high growth to medium-to-high growth, and the economic structure has improved and been upgraded. Under the "New Normal" phase, the economy is increasingly driven by innovation rather than input and investment. According to the National Bureau of Statistics of China, the country's gross domestic product for the first half of 2015 increased by 7.0% year-over-year to RMB29,686.8 billion. The growth rate was down by 0.4 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 in China recorded a 8.3% year-on-year increase which was 0.4 percentage points lower than that of the corresponding period in 2014.

The overall retail market in China remained weak and consumer sentiment showed no sign of notable recovery. However, we are glad to see that China Fordoo Holdings Limited (the "Company", together with its subsidiaries, the "Group") was able to continue to grow at a stable and moderate pace during the period in terms of number of retail outlets, distributors and revenue.

## Financial Review

For the six months ended 30 June 2015, profit of the Group was approximately RMB136.9 million, representing an increase of 6.4% as compared to RMB128.7 million for the corresponding period last year. The increase was mainly due to the expansion of the Group's distribution network and the enhancement of its brand recognition. As of 30 June 2015, the Group had 1,494 retail outlets (including 2 self-operated retail stores), representing a net increase of 42 retail outlets from 1,452 retail outlets as at 31 December 2014.

The Group operated in a single business, manufacturing and wholesaling of menswear in the People's Republic of China (the "PRC"). Accordingly, no segmental analysis is presented.

### Revenue

For the six months ended 30 June 2015, revenue increased by approximately 8.1% to RMB828.4 million from RMB766.2 million for the same period last year. The increase in revenue was primarily due to (i) increase in popularity of our brand and (ii) increase in sales volume and average wholesale price.

### Revenue by Product Type

	For the six months ended				Change %
	30 June 2015		30 June 2014		
	RMB million	% of revenue	RMB million	% of revenue	
<b>Apparel</b>					
Men's trousers	479.2	57.9%	458.1	59.8%	4.6%
Men's tops	344.4	41.6%	304.6	39.7%	13.1%
Accessories	3.6	0.4%	3.5	0.5%	1.5%
Fabrics <sup>(1)</sup>	1.2	0.1%	-	-	N/A
<b>Total</b>	<b>828.4</b>	<b>100.0%</b>	<b>766.2</b>	<b>100.0%</b>	<b>8.1%</b>

# Management Discussion and Analysis

Trousers remained the major revenue contributor of the Group and accounted for 57.9% of the total revenue during the first half of 2015 (the first half of 2014: 59.8%).

*Note:*

- (1) The Group had developed a fabric production facility and started to manufacture fabrics during the first half of 2015.

## Revenue by Product Style

	For the six months ended				Change %
	30 June 2015		30 June 2014		
	RMB million	% of revenue	RMB million	% of revenue	
<b>Apparel</b>					
Business Casual	469.0	56.7%	485.9	63.4%	-3.5%
Business Formal	249.4	30.1%	223.3	29.1%	11.7%
Casual <sup>(1)</sup>	105.2	12.7%	53.5	7.0%	96.7%
Accessories	3.6	0.4%	3.5	0.5%	1.5%
Fabrics	1.2	0.1%	-	-	N/A
<b>Total</b>	<b>828.4</b>	<b>100.0%</b>	<b>766.2</b>	<b>100.0%</b>	<b>8.1%</b>

Business casual series continued to be our largest revenue contributor and accounted for 56.7% of the total revenue for the first half of 2015 (the first half of 2014: 63.4%).

During the first half of 2015, we strived to enrich our production mix by launching a new men's casual fashion series, offering younger and more trendy styles targeted at consumers aged between 18 and 30. The significant increase in revenue from the casual series was mainly driven by the increase in the sales of the new men's casual fashion series for our 2015 spring/summer collections. The new men's casual fashion series is initially sold in a few of our distributors' retail outlets. We believe this new men's casual fashion series complements our strategy to seize additional business opportunities in China's growing menswear market.

*Note:*

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

# Management Discussion and Analysis

## Revenue by Region

Region	For the six months ended				Change %
	30 June 2015		30 June 2014		
	RMB million	% of revenue	RMB million	% of revenue	
<b>Apparel and accessories</b>					
Northern China <sup>(1)</sup>	137.1	16.6%	120.4	15.7%	13.9%
Northeastern China <sup>(2)</sup>	52.1	6.3%	47.7	6.2%	9.2%
Eastern China <sup>(3)</sup>	286.1	34.5%	269.0	35.1%	6.4%
Central Southern China <sup>(4)</sup>	137.6	16.6%	121.7	15.9%	13.1%
Southwestern China <sup>(5)</sup>	105.4	12.7%	106.3	13.9%	-0.9%
Northwestern China <sup>(6)</sup>	99.3	12.0%	95.8	12.5%	3.6%
<b>Subtotal</b>	<b>817.6</b>	<b>98.7%</b>	<b>760.9</b>	<b>99.3%</b>	<b>7.5%</b>
Online distributor	6.3	0.8%	2.4	0.3%	163.8%
Self-operated retail outlets	3.3	0.4%	2.9	0.4%	11.7%
<b>Subtotal</b>	<b>827.2</b>	<b>99.9%</b>	<b>766.2</b>	<b>100.0%</b>	<b>8.0%</b>
<b>Fabrics</b>	<b>1.2</b>	<b>0.1%</b>	<b>-</b>	<b>-</b>	<b>N/A</b>
<b>Total</b>	<b>828.4</b>	<b>100.0%</b>	<b>766.2</b>	<b>100.0%</b>	<b>8.1%</b>

### Notes:

- (1) Northern China includes Beijing, Hebei, Shanxi, Tianjin and Inner Mongolia.
- (2) Northeastern China includes Heilongjiang, Jilin and Liaoning.
- (3) Eastern China includes Jiangsu, Zhejiang, Shanghai, Anhui, Fujian, Shandong and Jiangxi.
- (4) Central Southern China includes Henan, Hubei, Hunan, Guangdong, Guangxi and Hainan.
- (5) Southwestern China includes Chongqing, Sichuan, Guizhou, Yunnan and Tibet.
- (6) Northwestern China includes Shaanxi, Gansu, Qinghai, Ningxia and Xinjiang.

Eastern China, Northern China and Central Southern China regions were still the major revenue contributors, and together accounted for 67.7% (the first half of 2014: 66.7%) of the total revenue and 68.5% of the total number of stores during the first half of 2015.

The Group started a new distributorship arrangement with an online distributor in early 2015 to better manage its online sales. This contributed to a remarkable rebound of our sales to online distributor as compared to the same period last year.

# Management Discussion and Analysis

The following map shows the geographical distribution of the retail outlets of the Group in China as of 30 June 2015.



# Management Discussion and Analysis

## Cost of Sales

Cost of sales increased by approximately 7.9% year-on-year to RMB536.4 million from RMB497.1 million for the same period last year. The increase was in line with the increase in revenue during the first half of 2015.

The Group continued to manufacture its products either by self-production or OEM purchase. We use our in-house manufacturing facilities to produce most of our core products and outsource production of accessories and certain apparel products as we continue to expand and diversify our product offering. Our flexible manufacturing process has enabled us to maintain our product quality and protect our intellectual property.

In the first half of 2015, self-production accounted for approximately 70.9% (the first half of 2014: 71.6%) of the total cost of sales, decreased by 0.7 percentage points.

## Gross Profit and Gross Profit Margin

Gross profit for the first half of 2015 increased by approximately 8.5% year-on-year to RMB292.0 million. Gross profit margin increased by 0.2 percentage points year-on-year to 35.3%. The improvement of gross profit margin was mainly attributable to the increase in average selling price of our products.

## Other Income

Other income decreased by approximately RMB3.5 million year-on-year to RMB6.9 million for the first half of 2015. The decrease in other income was mainly attributable to the decrease in government grants.

## Selling and Distribution Expenses

During the first half of 2015, selling and distribution expenses amounted to approximately RMB51.1 million, accounting for approximately 6.2% of total revenue, representing a year-on-year increase of 0.4 percentage points.

Included in the amount were advertising and promotional expenses and decoration expenses of approximately RMB33.4 million in total, which accounted for approximately 4.0% of the total revenue, up by 0.4 percentage points compared to the same period last year. The Group continued to take initiatives to promote its corporate image through multi-channel marketing campaign and store renovation.

## Administrative and Other Operating Expenses

During the first half of 2015, administrative and other operating expenses amounted to approximately RMB40.6 million, accounting for approximately 4.9% of total revenue, representing a year-on-year decrease of 1.3 percentage points. The decrease was primarily due to the absence of listing expenses in relation to the initial public offering of the shares of the Company (the "Shares") in the first half of 2015, which were recorded in 2014. Excluding the effect of non-recurring nature of listing expenses of RMB13.7 million charged in the first half of 2014, the Group's administrative and other operating expenses for the first half of 2015 had increased by 21.6% compared to the same period last year. This was mainly attributable to the increase in amortization of lease prepayment and increase in product design and development cost.

## Finance Costs

During the first half of 2015, finance costs decreased by 5.6% year-on-year to approximately RMB11.2 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 2015 was 30.1%, up by 3.3 percentage points from 26.8% for the corresponding period last year. The increase in effective tax rate was due to an increase in the amount of withholding tax on dividends and increase in some offshore expenses incurred which were not tax deductible.

# Management Discussion and Analysis

## Profit Attributable to Shareholders of the Company

For the first half of 2015, profit attributable to the shareholders of the Company (the “Shareholders”) was approximately RMB136.9 million, representing a year-on-year increase of 6.4%.

Net profit margin was 16.5% for the six months ended 30 June 2015, representing a year-on-year decrease of 0.3%.

## Interim Dividend

The board of directors of the Company (the “Directors”) has resolved not to declare the payment of any interim dividend for the six months ended 30 June 2015.

## 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 offering of approximately HK\$454.7 million (after deducting underwriting commissions and related expenses). As of 30 June 2015, the Company had utilized approximately HK\$225.5 million of the proceeds, comprising of approximately HK\$90.9 million for repaying our bank borrowings, HK\$41.0 million for expanding distribution network and providing storefront decoration, HK\$33.6 million for brand promotion and marketing, HK\$9.3 million for research, design and product development, HK\$5.2 million for developing an enterprise resource planning (the “ERP”) system and HK\$45.5 million for working capital purpose. The above uses were consistent with the use of proceeds set out in the prospectus of the Company dated 30 June 2014 (the “Prospectus”). Unutilized proceeds were deposited into interest bearing bank accounts with licensed commercial banks in Hong Kong and the PRC. The Directors intended to continue to apply the remaining proceeds in the manner as set out in 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:

Region	Number of stores			As of 30 June 2015
	As of 1 January 2015	Stores opened during the period	Stores closed during the period	
Northern China	264	13	-	277
Northeastern China	81	14	(3)	92
Eastern China	472	17	(17)	472
Central Southern China	267	9	(1)	275
Southwestern China	190	6	(11)	185
Northwestern China	176	15	-	191
<b>Subtotal</b>	<b>1,450</b>	<b>74</b>	<b>(32)</b>	<b>1,492</b>
Self-operated retail outlets	2	-	-	2
<b>Total</b>	<b>1,452</b>	<b>74</b>	<b>(32)</b>	<b>1,494</b>



# Management Discussion and Analysis

The Group continued to optimise its retail and sales network to achieve steady business growth in the PRC and improve operational efficiency. As of 30 June 2015, we had an extensive nationwide retail network of 1,494 retail outlets (including 2 self-operated retail stores) across 240 cities and 31 provinces, autonomous regions and central government-administered municipalities in the PRC. During the first half of 2015, there was a net increase of 42 retail stores from 1,452 as at 31 December 2014, of which new stores were mostly opened and situated in the third and fourth-tier cities in the PRC while 32 under-performing retail stores were closed. The retail network was strategically expanded to further penetrate the lower tier cities with higher growth potential.

As of 30 June 2015, 78.3% of the retail outlets were located in department stores or shopping malls whereas 21.7% of the retail outlets were standalone stores.

## Distribution Channel Management

As of 30 June 2015, the Group's distribution network comprised 57 distributors (31 December 2014: 52) and 191 sub-distributors (31 December 2014: 188). Among the 57 distributors, 22 had business relationships with us for more than eight years. We believe these strong, stable and long-standing relationships with our distributors were essential to our brand building efforts and strong operating track record.

To facilitate the management of our distributors and retail outlets, we divide our distribution network into different regions in the PRC. We have assigned a management team dedicated to each region. Each team is responsible for soliciting and selecting potential distributor candidates, supervising and communicating with our distributors and monitoring and conducting on-site inspections of retail outlets within their respective region.

In addition, the Group is currently in the initial phase of developing the ERP system through closely collaborating with the ERP system provider, which is planned to be eventually rolled out in all retail outlets.

The Group will continue to provide training for its distributors and their management teams, aiming at elevating their retail management skills, sales technique as well as brand and product knowledge.

## Marketing and Promotion

The Group believes that brand awareness is crucial to its long-term business development and a cornerstone of its future success. In the first half of 2015, the Group kept investing in advertising and promotion to heighten its brand awareness, including setting up outdoor LED monitors and large advertising billboards at airport and highway stations located in selected cities in the PRC, such as Beijing, Shenzhen, Guangzhou, Zhengzhou, Chengdu as well as well-known commercial buildings and department stores in the PRC.

The Group continued to upgrade and unify the layout and design of the retail stores operated by its distributors and sub-distributors in phases, so as to enhance and reinforce the Group's brand image. The Group opened 74 new stores and renovated 57 existing stores during the first half of 2015.

In addition, Mr. Ma Tak Chung, Joe (馬德鐘), a well known Chinese actor, continues to be the spokesperson for our business formal wear in the PRC to maximize the promotional effect.

# Management Discussion and Analysis

## Design and Product Development

The Group always puts great emphasis on product design and quality, as we believe our ability and commitment to provide fashionable and comfortable products have been integral to our success. Initiatives include launching our new men's casual fashion series and developing our own quality fabrics. As of 30 June 2015, our product design and development team consisted of 134 members. The key team members, who plan, implement, supervise and manage the design and development efforts, have an average of 10 years of experience in the fashion industry. We will continue to invest in our product design and research and development capabilities to capture fashion trends and product designs.

## Sales Fairs

The 2015 fall/winter collections sales fair was held in March 2015. The Group recorded an encouraging purchase order increase of approximately 11.2% compared to the purchase order placed for its 2014 fall/winter collections in the sales fair held in March 2014.

## Prospects

Looking ahead to the second half of 2015, we plan to continue to expand our retail outlets with our distributors and at the same time, close down the under-performing shops. We will also continue to enhance our control over the distributors and sub-distributors, and will further strengthen our design and product development capabilities.

As the Group's new men's casual fashion series has received positive feedback in the March 2015 sales fair, we are planning to introduce more stock keeping units (SKUs) in the upcoming September sales fair. The new fabric machines are also expected to continue to drive revenue for the second half of the year. In the absence of unforeseen circumstances, revenue of the Group is expected to grow in the second half of 2015.

## Liquidity and Financial Resources

As at 30 June 2015, the Group had total bank borrowings of approximately RMB499.7 million (31 December 2014: RMB345.0 million). The net cash position as at 30 June 2015 with comparative figures as at 31 December 2014, were as follows:

	As at 30 June 2015 RMB million	As at 31 December 2014 RMB million
Cash and bank balances (including pledged bank deposits)	657.2	379.1
Less: Total borrowings	(499.7)	(345.0)
Net Cash	157.5	34.1

# Management Discussion and Analysis

As at 30 June 2015, the bank borrowings were repayable as follows (with comparative figures as at 31 December 2014):

	As at 30 June 2015			As at 31 December 2014		
	Within 1 year or on demand RMB million	After 1 year but within 2 years RMB million	Total RMB million	Within 1 year or on demand RMB million	After 1 year but within 2 years RMB million	Total RMB million
Bank borrowings						
— Secured	282.0	137.7	419.7	265.0	–	265.0
— Unsecured	80.0	–	80.0	80.0	–	80.0
<b>Total</b>	<b>362.0</b>	<b>137.7</b>	<b>499.7</b>	<b>345.0</b>	<b>–</b>	<b>345.0</b>

Cash inflow from operating activities for the six months ended 30 June 2015 amounted to approximately RMB284.1 million (30 June 2014: RMB227.0 million). The increase was mainly attributable to an increase in profit before taxation of approximately RMB20.2 million and a year-on-year decrease in working capital balance of RMB48.6 million offsetting an increase of income tax paid of RMB8.8 million.

The cash flow generated from investing activities for the six months ended 30 June 2015 amounted to approximately RMB4.2 million (30 June 2014: cash outflow of RMB258.3 million), which was primarily attributable to the decrease in fixed deposit held at banks with original maturity over three months of RMB64.5 million offsetting payment for the purchase of property, plant and equipment and intangible assets of RMB13.4 million and an increase in pledged bank deposit of RMB47.1 million.

The cash flow generated from financing activities for the six months ended 30 June 2015 was approximately RMB7.2 million (30 June 2014: RMB18.1 million), primarily attributable to the increase of net bank borrowings of RMB154.7 million offsetting payment of final dividend of RMB136.4 million in respect of the year ended 31 December 2014 and interest paid of RMB11.1 million.

As at 30 June 2015, the Group's total equity increased by approximately RMB0.8 million to approximately RMB1,245.4 million (31 December 2014: RMB1,244.6 million).

## Trade Working Capital Ratios

The Group's average inventory turnover days was 21 days for the first half of 2015, as compared to 19 days for the same period last year. We maintained low average inventory turnover days during the reporting period. We typically place orders with raw material suppliers and our OEM contractors after we obtain and confirm offers from our distributors post our sales fairs. This enables us to keep low average inventory turnover days, resulting in effective inventory control and low inventory obsolescence risk.

The Group's average trade and bills receivables turnover days for the first half of 2015 was 126 days, representing an increase of 7 days from 119 days for the same period last year. The increase was mainly attributable to the extension of credit period we granted to some distributors in the first half of 2015. We grant our distributors credit terms ranging from 90 to 180 days and evaluate their credit periods on a regular basis, by taking into account of factors such as their payment history, historical sales level, operational scale, number of years of business relationship with us and financial status.

# Management Discussion and Analysis

The Group's average trade payables turnover days was 48 days for the first half of 2015, a decrease of 5 days as compared to 53 days for the same period last year. The decrease was primarily due to an increase in our outsourced production during the interim period, of which the credit terms were shorter compared to those for our 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%. As at 30 June 2015, the Group recorded a net cash position.

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

## Charges of Assets

As at 30 June 2015, secured bank borrowings were secured by certain buildings, investment properties, land use rights and pledged bank deposits with carrying value of RMB256,870,000 (31 December 2014: RMB262,448,000), RMB26,710,000 (31 December 2014: RMB27,304,000), RMB278,011,000 (31 December 2014: RMB41,051,000) and RMB47,100,000 (31 December 2014: Nil), respectively.

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

During the first half of 2015, there was no significant investment, material acquisition or disposal of subsidiaries and associated companies by the Company.

## Capital Commitments and Contingencies

As at 30 June 2015, the Group had a total capital commitment of RMB247.8 million, primarily related to the proposed construction project in Hui'an, Fujian Province and development of the ERP system. These capital commitments are expected to be financed by internal resources of the Group.

As at 30 June 2015, the Group had 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 recognised in equity as a separate reserve. As the Group conducts its business transaction principally in Renminbi, other than the US dollar fixed deposit held in bank, the exchange rate risk at the Group's operational level is not significant. The Group does not employ any financial instruments for hedging purpose.

## Employees, Training and Development

The Group had a total of 3,600 employees as at 30 June 2015 (31 December 2014: 3,580). The Group invested in regular training and other development courses for employees to enhance their technical and product knowledge as well as management skills. The Group offered 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 17 to 35 which comprises the consolidated statement of financial position of China Fordoo Holdings Limited (the "Company") as of 30 June 2015 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 months 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 2015 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

18 August 2015

# Consolidated Statement of Profit or Loss and Other Comprehensive Income

For the six months ended 30 June 2015 – unaudited  
(Expressed in Renminbi)

	Note	Six months ended 30 June	
		2015 RMB'000	2014 RMB'000
<b>Revenue</b>	3	828,384	766,207
Cost of sales		(536,356)	(497,062)
<b>Gross profit</b>		292,028	269,145
Other income	4	6,857	10,395
Selling and distribution expenses		(51,096)	(44,737)
Administrative and other operating expenses		(40,642)	(47,159)
<b>Profit from operations</b>		207,147	187,644
Finance costs	5(a)	(11,242)	(11,912)
<b>Profit before taxation</b>	5	195,905	175,732
Income tax	6	(59,007)	(47,034)
<b>Profit for the period</b>		136,898	128,698
<b>Other comprehensive income for the period</b>			
<b>Item that may be reclassified subsequently to profit or loss:</b>			
Exchange differences on translation of financial statements of subsidiaries outside the mainland of the People's Republic of China (the "PRC")		238	1,210
<b>Total comprehensive income for the period</b>		137,136	129,908
<b>Earnings per share (RMB cents)</b>			
Basic and diluted	7	29	36

The notes on pages 22 to 35 form part of this interim financial report.

# Consolidated Statement of Financial Position

At 30 June 2015 – unaudited  
(Expressed in Renminbi)

	<i>Note</i>	At 30 June 2015 RMB'000	At 31 December 2014 RMB'000
<b>Non-current assets</b>			
Property, plant and equipment	8	399,680	396,813
Investment properties		26,710	27,304
Lease prepayments		278,011	281,565
Prepayments		4,080	4,444
Pledged bank deposits	9	47,100	–
		755,581	710,126
<b>Current assets</b>			
Inventories	10	67,269	57,275
Trade and other receivables	11	626,879	728,328
Fixed deposits held at bank with original maturity over three months	12	131,262	195,873
Cash and cash equivalents	12	478,795	183,254
		1,304,205	1,164,730
<b>Current liabilities</b>			
Bank borrowings	13	362,000	345,000
Trade and other payables	14	265,312	244,677
Current tax payable	15(a)	27,919	26,341
		655,231	616,018
<b>Net current assets</b>		648,974	548,712
<b>Total assets less current liabilities</b>		1,404,555	1,258,838
<b>Non-current liabilities</b>			
Deferred tax liabilities	15(b)	21,490	14,240
Bank borrowings	13	137,691	–
		159,181	14,240
<b>NET ASSETS</b>		1,245,374	1,244,598

# Consolidated Statement of Financial Position

At 30 June 2015 – unaudited  
(Expressed in Renminbi)

	<i>Note</i>	At 30 June 2015 RMB'000	At 31 December 2014 RMB'000
<b>CAPITAL AND RESERVES</b>	16		
Share capital		3,811	3,811
Reserves		1,241,563	1,240,787
<b>TOTAL EQUITY</b>		<b>1,245,374</b>	<b>1,244,598</b>

The notes on pages 22 to 35 form part of this interim financial report.

# Consolidated Statement of Changes in Equity

For the six months ended 30 June 2015 – unaudited

(Expressed in Renminbi)

Note	Share capital	Share premium	Statutory reserve	Capital reserve	Exchange reserve	Share-based payment reserve	Retained profits	Total equity
	RMB'000 Note 16(b)	RMB'000 Note 16(c)(i)	RMB'000 Note 16(c)(ii)	RMB'000 Note 16(c)(iii)	RMB'000 Note 16(c)(iv)	RMB'000 Note 16(c)(v)	RMB'000	RMB'000
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	16(c)(v)	-	-	-	-	2,148	-	2,148
Elimination of capital on reorganisation	(11)	-	-	-	-	-	-	(11)
Waiver of amount due to the ultimate controlling party	16(c)(iii)	-	-	39,023	-	-	-	39,023
At 30 June 2014	-	-	27,699	39,023	1,210	10,254	675,282	753,468
At 1 January 2015	3,811	358,457	58,170	39,023	(1,610)	-	786,747	1,244,598
Changes in equity for the six months ended 30 June 2015:								
Profit for the period	-	-	-	-	-	-	136,898	136,898
Other comprehensive income for the period	-	-	-	-	238	-	-	238
Total comprehensive income for the period	-	-	-	-	238	-	136,898	137,136
Dividends approved in respect of the previous year	16(a)	(136,360)	-	-	-	-	-	(136,360)
At 30 June 2015	3,811	222,097	58,170	39,023	(1,372)	-	923,645	1,245,374

The notes on pages 22 to 35 form part of this interim financial report.

# Condensed Consolidated Cash Flow Statement

For the six months ended 30 June 2015 – unaudited  
(Expressed in Renminbi)

	Note	Six months ended 30 June	
		2015 RMB'000	2014 RMB'000
<b>Operating activities</b>			
Cash generated from operations		334,305	268,404
Income tax paid		(50,179)	(41,359)
Net cash generated from operating activities		284,126	227,045
<b>Investing activities</b>			
Payment for the purchase of property, plant and equipment and intangible assets		(13,400)	(763)
Payment for purchase of lease prepayments		–	(209,693)
Decrease in fixed deposits held at bank with original maturity over three months (net)		64,503	18,500
Increase in pledged bank deposits (net)		(47,100)	(128,065)
Other cash flows arising from investing activities		181	61,764
Net cash generated from/(used in) investing activities		4,184	(258,257)
<b>Financing activities</b>			
Proceeds from bank borrowings		262,691	253,110
Repayment of bank borrowings		(108,000)	(133,000)
Net repayment to ultimate controlling party		–	(90,393)
Other cash flows arising from financing activities		(147,460)	(11,597)
Net cash generated from financing activities		7,231	18,120
Net increase/(decrease) in cash and cash equivalents		295,541	(13,092)
Cash and cash equivalents at 1 January	12	183,254	63,031
Cash and cash equivalents at 30 June	12	478,795	49,939

The notes on pages 22 to 35 form part this interim financial report.

# Notes to the Unaudited Interim Financial Report

(Expressed in Renminbi unless otherwise indicated)

## 1 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 of Hong Kong Limited (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 18 August 2015.

The interim financial report has been prepared in accordance with the same accounting policies adopted in 2014 annual financial statements, except for the accounting policy changes that are expected to be reflected in the 2015 annual financial statements. Details of any changes in accounting policies are set out in note 2.

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 China Fordoo Holdings Limited (the “Company”) and its subsidiaries (together the “Group”) since the 2014 annual financial statements. 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”).

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 16.

## 2 Changes in accounting policies

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

- Annual Improvements to IFRSs 2010–2012 Cycle
- Annual Improvements to IFRSs 2010–2013 Cycle

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.

# Notes to the Unaudited Interim Financial Report

(Expressed in Renminbi unless otherwise indicated)

## 3 Revenue

The Group operates in a single segment of sales of menswear products.

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

	Six months ended 30 June	
	2015 RMB'000	2014 RMB'000
Men's trousers	479,196	458,134
Men's tops	344,431	304,566
Accessories	3,560	3,507
Fabrics	1,197	–
	<b>828,384</b>	<b>766,207</b>

## 4 Other income

	Six months ended 30 June	
	2015 RMB'000	2014 RMB'000
Interest income	2,863	1,388
Government grants	3,415	8,234
Others	579	773
	<b>6,857</b>	<b>10,395</b>

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

# Notes to the Unaudited Interim Financial Report

(Expressed in Renminbi unless otherwise indicated)

## 5 Profit before taxation

Profit before taxation is arrived at after charging:

	Six months ended 30 June	
	2015 RMB'000	2014 RMB'000
<b>(a) Finance costs:</b>		
Interest on bank borrowings	11,242	11,912
<b>(b) Staff costs:</b>		
Contributions to defined contribution retirement plans	1,221	956
Salaries, wages and other benefits	85,454	77,079
	86,675	78,035
<b>(c) Other items:</b>		
Amortisation of lease prepayments	3,554	490
Depreciation	11,425	12,211
Research and development costs ( <i>note (i)</i> )	9,010	6,820
Cost of inventories ( <i>note (ii)</i> )	536,356	497,062
Equity-settled share-based payments for non-employees	–	2,148

Notes:

- (i) Research and development costs include staff costs of employees in the design and product development department of RMB5,535,000 (six months ended 30 June 2014: RMB4,889,000) which are included in the staff costs as disclosed in note 5(b).
- (ii) Cost of inventories includes RMB74,291,000 (six months ended 30 June 2014: RMB69,466,000) relating to staff costs, depreciation and amortisation expenses, which amount is also included in the respective total amounts disclosed separately above or in note 5(b) for each of these types of expenses.

# Notes to the Unaudited Interim Financial Report

(Expressed in Renminbi unless otherwise indicated)

## 6 Income tax in the consolidated statement of profit or loss and other comprehensive income

	Six months ended 30 June	
	2015 RMB'000	2014 RMB'000
<b>Current tax</b>		
Provision for PRC corporate income tax for the year	51,757	47,034
<b>Deferred tax</b>		
Origination and reversal of temporary differences ( <i>note 15(b)</i> )	7,250	–
	<b>59,007</b>	<b>47,034</b>

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 2015 and 2014.
- (iii) Pursuant to the income tax rules and regulations of the PRC, provision for PRC corporate income tax is calculated based on the statutory rate of 25% of the assessable profits of the subsidiaries incorporated in the PRC.
- (iv) According to the Corporate Income Tax law and its implementation rules, dividends receivable by non-PRC corporate residents from PRC enterprises are subject to withholding tax at a rate of 10%, unless reduced by tax treaties or arrangements, for profits earned since 1 January 2008. Deferred tax liabilities have been provided for in this regard based on the expected dividends to be distributed from these subsidiaries in the foreseeable future in respect of the profits generated since 1 January 2008.

# Notes to the Unaudited Interim Financial Report

(Expressed in Renminbi unless otherwise indicated)

## 7 Earnings per share

The calculation of basic earnings per share for the six months ended 30 June 2015 is based on the profit for the period of RMB136,898,000 (six months ended 30 June 2014: RMB128,698,000) and the weighted average number of 480,000,000 shares during the six months ended 30 June 2015 (six months ended 30 June 2014: 360,000,000 shares). The weighted average number of shares in issue during the six months ended 30 June 2014 was based on the assumption that the 360,000,000 shares were issued before the listing of shares on the Stock Exchange were in issue, as if such shares had been outstanding throughout the six months ended 30 June 2014.

There were no potential dilutive ordinary shares during the six months ended 30 June 2015 and 2014 and, therefore, diluted earnings per share are the same as the basic earnings per share.

## 8 Property, plant and equipment

During the six months ended 30 June 2015, the Group acquired items of property, plant and equipment with a cost of RMB13,763,000 (six months ended 30 June 2014: RMB727,000).

Items of property, plant and equipment with a net book value of RMB66,000 (six months ended 30 June 2014: RMB53,371,000) were disposed of during the six months ended 30 June 2015.

## 9 Pledged bank deposits

As at 30 June 2015, bank deposits have been pledged as security for bank borrowings, which were repayable after 1 year but within 2 years (see note 13(a)). The pledged bank deposits will be released upon the settlement of relevant bank borrowings.

## 10 Inventories

	At 30 June 2015 RMB'000	At 31 December 2014 RMB'000
Raw materials	27,330	20,284
Work in progress	13,175	7,072
Finished goods	26,764	29,919
	<b>67,269</b>	<b>57,275</b>

# Notes to the Unaudited Interim Financial Report

(Expressed in Renminbi unless otherwise indicated)

## 11 Trade and other receivables

	At 30 June 2015 RMB'000	At 31 December 2014 RMB'000
Trade receivables	612,542	722,527
Bills receivable (note (c))	8,462	3,310
Trade and bills receivables (note (a), (b) and (c))	621,004	725,837
Prepayments to suppliers	1,263	846
Other deposits, prepayments and receivables	4,612	1,645
	<b>626,879</b>	<b>728,328</b>

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

- (a) As of the end of the reporting period, the ageing analysis of trade receivables and bills receivable (which are included in trade and other receivables), based on invoice date, is as follows:

	At 30 June 2015 RMB'000	At 31 December 2014 RMB'000
Within 3 months	447,009	421,901
More than 3 months but within 6 months	173,995	303,936
	<b>621,004</b>	<b>725,837</b>

Trade receivables are due within 90–180 days (31 December 2014: 90–180 days) from the date of billing.

# Notes to the Unaudited Interim Financial Report

(Expressed in Renminbi unless otherwise indicated)

## 11 Trade and other receivables (Continued)

- (b) The ageing analysis of the trade receivables and bills receivable that are neither individually nor collectively considered to be impaired is as follows:

	At 30 June 2015 RMB'000	At 31 December 2014 RMB'000
Neither past due nor impaired	621,004	725,837

### (c) Bills receivable

Bills receivable represented bank acceptance bills not matured.

As at 30 June 2015, the Group had endorsed bank acceptance bills with recourse of RMB8,817,000 (31 December 2014: RMB9,500,000). These bank acceptance bills matured within six months from the date of issue. As the Group only accepts bank acceptance bills from major banks in the PRC, management considered that the credit risk of these bills is minimal. Accordingly, the respective bills receivable are de-recognised upon endorsement of the bills.

## 12 Cash and cash equivalents and fixed deposits held at bank

	At 30 June 2015 RMB'000	At 31 December 2014 RMB'000
Fixed deposits held at bank with original maturity within three months	4,921	9,236
Cash at bank and in hand	473,874	174,018
Cash and cash equivalents in the statements of financial position and consolidated cash flow statement	478,795	183,254
Fixed deposits held at bank with original maturity over three months	131,262	195,873
	610,057	379,127

# Notes to the Unaudited Interim Financial Report

(Expressed in Renminbi unless otherwise indicated)

## 13 Bank borrowings

(a) The bank borrowings were repayable as follows:

	At 30 June 2015 RMB'000	At 31 December 2014 RMB'000
Within 1 year or on demand	362,000	345,000
After 1 year but within 2 years	137,691	–
	<b>499,691</b>	<b>345,000</b>

(b) The bank borrowings were secured as follows:

	At 30 June 2015 RMB'000	At 31 December 2014 RMB'000
Bank borrowings		
— secured	419,691	265,000
— unsecured	80,000	80,000
	<b>499,691</b>	<b>345,000</b>

At 30 June 2015, secured bank borrowings were secured by certain buildings, investment properties, land use rights and pledged bank deposits with carrying value of RMB256,870,000 (31 December 2014: RMB262,448,000), RMB26,710,000 (31 December 2014: RMB27,304,000), RMB278,011,000 (31 December 2014: RMB41,051,000) and RMB47,100,000 (31 December 2014: Nil), respectively.

# Notes to the Unaudited Interim Financial Report

(Expressed in Renminbi unless otherwise indicated)

## 14 Trade and other payables

	At 30 June 2015 RMB'000	At 31 December 2014 RMB'000
Trade payables ( <i>note (a)</i> )	151,501	130,312
Receipts in advance	5,486	6,251
Other payables and accruals	108,325	108,114
	<b>265,312</b>	<b>244,677</b>

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) As of the end of the reporting period, the ageing analysis of the trade payables, based on relevant invoice date, is as follows:

	At 30 June 2015 RMB'000	At 31 December 2014 RMB'000
Within 1 month or on demand	80,148	51,025
After 1 month but within 3 months	71,353	79,287
	<b>151,501</b>	<b>130,312</b>

## 15 Income tax in the consolidated statement of financial position

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

	At 30 June 2015 RMB'000	At 31 December 2014 RMB'000
PRC Corporate Income Tax	27,919	26,341

# Notes to the Unaudited Interim Financial Report

(Expressed in Renminbi unless otherwise indicated)

## 15 Income tax in the consolidated statement of financial position (Continued)

### (b) Deferred liabilities recognised:

Recognised deferred tax liabilities are attributable to the following:

	Withholding tax on dividends RMB'000
At 1 January 2014 and 30 June 2014	–
At 1 January 2015	14,240
Charged to consolidated statement of profit or loss and other comprehensive income	7,250
At 30 June 2015	21,490

### (c) Deferred tax assets not recognised

At 30 June 2015, the Group did not recognise deferred tax assets in respect of unused tax losses of subsidiaries of RMB9,265,000 (31 December 2014: RMB4,797,000), of which RMB4,468,000 will expire by the end of 2020, if unused (31 December 2014: RMB3,962,000). 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.

### (d) Deferred tax liabilities not recognised

Pursuant to the PRC Corporate Income Tax Law and its related regulations, the Group is subject to withholding tax at 10% (unless reduced by tax treaties/arrangements) on dividends receivable from its PRC subsidiaries in respect of their profits generated since 1 January 2008. As at 30 June 2015, deferred tax liabilities in respect of the PRC dividend withholding tax relating to the undistributed profits of the Company's PRC subsidiaries of RMB757,345,000 (31 December 2014: RMB673,798,000) were not recognised as the Company controls the dividend policy of these subsidiaries and it has determined that those profits will not be distributed in the foreseeable future.

# Notes to the Unaudited Interim Financial Report

(Expressed in Renminbi unless otherwise indicated)

## 16 Capital, reserves and dividends

### (a) Dividends

Dividends paid to shareholders of the Company attributable to the previous financial year approved during the period:

	Six months ended 30 June	
	2015 RMB'000	2014 RMB'000
Final dividend in respect of the year ended 31 December 2014, approved and paid during the period, of HK36 cents (equivalent to approximately RMB28 cents) per ordinary share (2013: Nil)	136,360	-

### (b) Share capital

*Authorised and issued share capital*

	At 30 June 2015		At 31 December 2014	
	Number of shares	Amount HK\$'000	Number of shares	Amount HK\$'000
<b>Authorised:</b>				
At 1 January	1,000,000,000	10,000	38,000,000	380
Increase in authorised capital on 9 June 2014	-	-	962,000,000	9,620
At 30 June/31 December	1,000,000,000	10,000	1,000,000,000	10,000

	Number of shares	Amount		Number of shares	Amount	
		HK\$'000	RMB'000		HK\$'000	RMB'000
<b>Issued and fully paid:</b>						
At 1 January	480,000,000	4,800	3,811	1	-	-
Issue of shares upon reorganisation	-	-	-	9,999	-	-
Capitalisation issue on 16 July 2014	-	-	-	359,990,000	3,600	2,858
Issue of share upon initial public offering	-	-	-	120,000,000	1,200	953
At 30 June/31 December	480,000,000	4,800	3,811	480,000,000	4,800	3,811

# Notes to the Unaudited Interim Financial Report

(Expressed in Renminbi unless otherwise indicated)

## 16 Capital, reserves and dividends (Continued)

### (c) Nature and purpose of reserves

#### (i) *Share premium*

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

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

#### (ii) *Statutory reserve*

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

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

#### (iii) *Capital reserve*

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

#### (iv) *Exchange reserve*

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

#### (v) *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*. Share-based payment was vested pursuant to the listing of the Company on 16 July 2014.

# Notes to the Unaudited Interim Financial Report

(Expressed in Renminbi unless otherwise indicated)

## 17 Commitments

### (a) Capital commitments

Capital commitments of the Group in respect of construction in progress outstanding at 30 June 2015 not provided for in the interim financial report:

	At 30 June 2015 RMB'000	At 31 December 2014 RMB'000
Contracted for	223,782	233,781
Authorised but not contracted for	24,048	24,048
	<b>247,830</b>	<b>257,829</b>

### (b) Operating leases

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

	At 30 June 2015 RMB'000	At 31 December 2014 RMB'000
Within 1 year	440	660
After 1 year but within 2 years	–	110
	<b>440</b>	<b>770</b>

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.

# Notes to the Unaudited Interim Financial Report

(Expressed in Renminbi unless otherwise indicated)

## 18 Material related party transactions

### Key management personnel remuneration

Remuneration for key management personnel of the Group for the period, including amounts paid to the Directors, was as follows:

	Six months ended 30 June	
	2015 RMB'000	2014 RMB'000
Short-term employee benefits	3,329	1,721
Contributions to retirement benefit scheme	27	8
	<b>3,356</b>	<b>1,729</b>

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

## 19 Comparative figures

In order to in line with International Financial Reporting Standards, the Group presents "revenue" instead of "turnover". In addition, the Group presented gross income other than turnover as "other revenue" and gains or losses as "other net income". To streamline the presentation, these two types of income are combined and presented as one line item under the caption "other income".

# Other Information

## 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

As at 30 June 2015, the interests and short positions of each Director and chief executive of the Company in the Shares, underlying Shares and debentures of the Company and its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance ("SFO")), as recorded in the register required to be kept by the Company pursuant to Section 352 of the SFO, or as otherwise notified to the Company and the Stock Exchange pursuant to the Model Code 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	Capacity/Nature of interest	Number of Shares	Approximate percentage of shareholding
Mr. Kwok Kin Sun <sup>(1)</sup>	Interest in a controlled corporation	244,800,000	51.00%
Mr. Kwok Hon Fung <sup>(2)</sup>	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 30 June 2015, none of the Directors and the chief executive of the Company and their associates had registered an interest or a short position in the shares, underlying shares or debentures of the Company or any of its associated corporations that was required to be recorded pursuant to Section 352 of the SFO, or as otherwise notified to the Company and the Stock Exchange pursuant to the Model Code.

### Directors' 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 30 June 2015, 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 Part XV of the SFO:

Name	Position	Capacity/Nature of interest	Number of Shares	Approximate percentage of shareholding
Ms. Wong Tung Yam <sup>(1)</sup>	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 <sup>(2)</sup>	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 30 June 2015, the Company was not aware of any person or corporation having an interest or a short position in the Shares and underlying Shares 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 Part XV 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 2015.

## Review of Unaudited Interim Results

The Company has an audit committee (the "Audit Committee") which comprises the three independent non-executive 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 2015.

## Share Option Scheme

The Company adopted a share option scheme on 9 June 2014 (the "Share Option Scheme") for the purpose of providing incentives and rewards to eligible participants who contribute to the Group. Details of the share option schemes are set out in the 2014 Annual Report of the Company.

As at 30 June 2015, no option has been granted under the Share Option Scheme.

## Purchase, Sale or Redemption of the Company's Listed Securities

Neither the Company nor any of its subsidiaries had purchased, sold or redeemed any of the Company's listed securities during the six months ended 30 June 2015.

# Other Information

## Compliance with the Corporate Governance Code

The Company has complied with all applicable code provisions of the Corporate Governance Code as set out in Appendix 14 to the Listing Rules (the “Corporate Governance Code”) during the six months ended 30 June 2015, except for the deviation from code provision A.2.1, which stipulates that the roles of chairman and chief executive should be separate and should not be performed by the same individual. Mr. Kwok Kin Sun was the chairman of the Board as well as the chief executive officer of the Company during the reporting period.

Mr. Kwok Kin Sun is the founder of the Group and 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. The Board believed that it was 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 helped to enhance the efficiency of decision-making process in response to the changing environment. In addition, the Board 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 considered that the board structure would not impair the balance of power and the authority of the Board. The Board reviews 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.

On 18 August 2015, Mr. Kwok Kin Sun has resigned from his position as the chief executive officer of the Company but will remain as the chairman of the Board and an executive Director. Mr. Kwok Hon Fung has been appointed as the chief executive officer of the Company with effect on the same date. After the appointment of Mr. Kwok Hon Fung as the chief executive officer of the Company, the Company complies with code provision A.2.1. of the Corporate Governance Code.

## 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

As disclosed in the Prospectus, the Company has agreed with the Human Resources and Social Welfare Bureau of Fengze District, Quanzhou (the “Bureau”) on a five-year social insurance fund contribution scheme (the “Five-year Scheme”). According to the Five-year Scheme, the Company expects to make future social insurance fund contributions for all of its eligible employees gradually in accordance with the relevant PRC laws and regulations in the five years from 2014 to 2018. The Bureau has also agreed not to impose any fine on the Company if the Company can fully make the social contributions in accordance with the Five-year Scheme. The Company will, on a regular basis, update the Bureau and the Shareholders on the progress of the Five-year Scheme, and settle the unsubscribed social insurance contribution with any employees as required by them or by any relevant government authority. Our Directors have reviewed and considered that the Company has made appropriate level of social contributions for the six months ended 30 June 2015 in accordance with the Five-year Scheme.

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  
18 August 2015