



Interim Report  
2016

# CHINA FORDOO HOLDINGS LIMITED

中國虎都控股有限公司

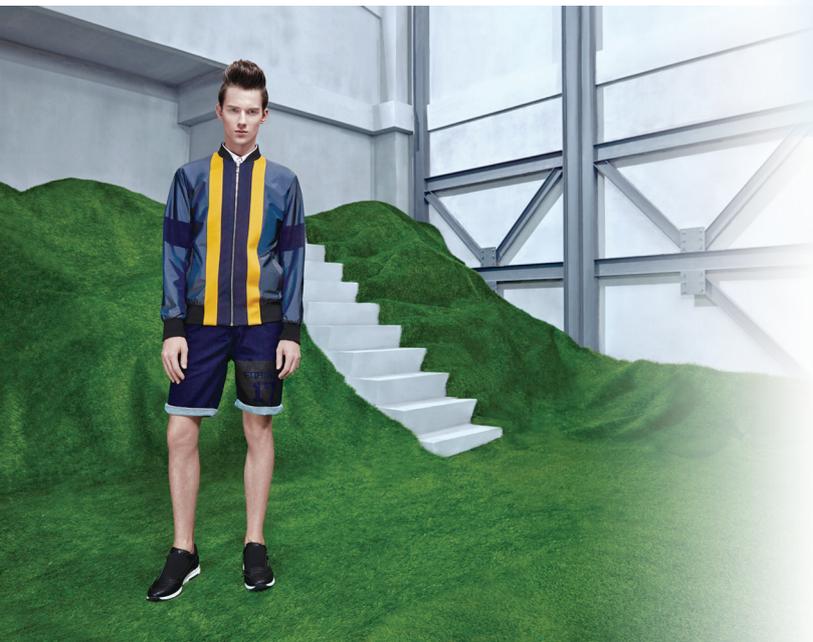
(Incorporated in the Cayman Island with limited liability)

Stock Code: 2399



# 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.





# Contents

- 2** Corporate Information
- 3** Financial Highlights
- 4** Management Discussion and Analysis
- 16** Consolidated Statement of Profit or Loss and  
Other Comprehensive Income
- 17** Consolidated Statement of Financial Position
- 19** Consolidated Statement of Changes in Equity
- 20** Condensed Consolidated Cash Flow Statement
- 21** Notes to the Unaudited Interim Financial Report
- 34** Other Information

# 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. Cheung Chiu Tung <sup>(1)</sup>  
 Mr. Kwauk Teh-Ming Walter (resigned on 16 August 2016)  
 Mr. Poon Yick Pang Philip (appointed on 16 August 2016)  
 Mr. Zhang Longgen

### Audit Committee

Mr. Kwauk Teh-Ming Walter (*Chairman*)  
 (resigned on 16 August 2016)  
 Mr. Poon Yick Pang Philip (*Chairman*)  
 (appointed on 16 August 2016)  
 Mr. Cheung Chiu Tung <sup>(1)</sup>  
 Mr. Zhang Longgen

### Remuneration Committee

Mr. Cheung Chiu Tung (*Chairman*) <sup>(1)</sup>  
 Mr. Kwauk Teh-Ming Walter (resigned on 16 August 2016)  
 Mr. Poon Yick Pang Philip (appointed on 16 August 2016)  
 Mr. Zhang Longgen

### Nomination Committee

Mr. Kwok Kin Sun (*Chairman*)  
 Mr. Kwauk Teh-Ming Walter (resigned on 16 August 2016)  
 Mr. Poon Yick Pang Philip (appointed on 16 August 2016)  
 Mr. Zhang Longgen

## 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

Notes:

(1) Cheung Chiu Tung is formerly named Zhang Zhaodong.

## 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

Boardroom Share Registrars (HK) Limited  
 31/F, 148 Electric Road  
 North Point, Hong Kong

## Principal Bankers

China Construction Bank (Asia) Corporation Limited  
 China CITIC Bank Corporation Limited  
 China Construction Bank Corporation  
 The Hongkong and Shanghai Banking Corporation Limited

## IR Contact

Investor relations department, China Fordoo Holdings Limited  
 Suite 1508, 15th Floor  
 Central Plaza, 18 Harbour Road  
 Wanchai, Hong Kong  
 Tel: (852) 2562 6268  
 Fax: (852) 2562 6768  
 E-mail: [ir@fordoo.cn](mailto:ir@fordoo.cn)

## Company Website

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

# Financial Highlights

- Revenue of the Group decreased by 23.9% to RMB630.5 million (2015: RMB828.4 million).
- Gross profit of the Group decreased by 22.2% to RMB227.3 million (2015: RMB292.0 million).
- EBITDA of the Group decreased by 47.6% to RMB116.3 million (2015: RMB222.1 million).
- Net profit of the Group decreased by 55.0% to RMB 61.6 million (2015: RMB136.9 million).
- Basic and diluted earnings per share decreased by 55.2% to RMB13 cents (2015: RMB29 cents).

	For the six months ended		Change
	30 June 2016	30 June 2015	
<b>Profitability ratios</b>			
Gross profit margin	36.0%	35.3%	0.7ppt
EBITDA margin	18.4%	26.8%	-8.4ppt
Net profit margin	9.8%	16.5%	-6.7ppt
Return on equity <sup>(1)</sup>	9.1%	22.0%	-12.9ppt
	As at 30 June 2016	As at 30 June 2015	
<b>Liquidity ratios</b>			
Inventory turnover (Days) <sup>(2)</sup>	34	21	
Trade and bills receivables turnover (Days) <sup>(3)</sup>	142	126	
Trade payables turnover (Days) <sup>(4)</sup>	46	48	
<b>Capital ratios</b>			
Interest coverage ratios <sup>(5)</sup>	10	18	
Net Debt to equity ratio <sup>(6)</sup>	Net Cash	Net Cash	
Gearing ratio <sup>(7)</sup>	44.7%	40.1%	4.6 ppt

*Notes:*

- (1) Net profit for the period divided by the closing balance of total equity and is calculated on an annualized basis.
- (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 2016 and 30 June 2015, the Group recorded a net cash position.
- (7) Total debts divided by the total equity as of the end of the period.

# Management Discussion and Analysis

## Overview

In the first half of 2016, China is heading for L-shaped economic growth. We expect that China will not roll out large-scale measures to boost stock, foreign exchange and property markets to fuel economic growth and will let the market weed out “zombie” companies. We do not expect a fast rebound of the economy and we believe better cost control, innovation and quality will help us to pass through. According to the National Bureau of Statistics of China, the country’s gross domestic product for the first half of 2016 increased by 6.7% year-over-year to RMB34,063.7 billion. The growth rate was down by 0.3 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 6.9% year-on-year increase which was 1.4 percentage points lower than that of the corresponding period in 2015.

In response to the continuing weak retail market in China and low consumer sentiment, we are implementing our retail store consolidation strategy set out at the beginning of the year. We switch to focus more on cost control and strengthen our product quality, and we are also inviting more experienced distributors to join us.

## Financial Review

For the six months ended 30 June 2016, profit of China Fordoo Holdings Limited (the “Company”) and its subsidiaries (together the “Group”) was approximately RMB61.6 million, representing a decrease of 55.0% as compared to RMB136.9 million for the corresponding period last year. As of 30 June 2016, the Group had 1,415 retail outlets (including 2 self-operated retail stores), representing a net decrease of 118 retail outlets from 1,533 retail outlets as at 31 December 2015.

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.



# Management Discussion and Analysis

## Revenue

For the six months ended 30 June 2016, revenue decreased by approximately 23.9% to RMB630.5 million from RMB828.4 million for the same period last year. The decrease in revenue was primarily driven by the Group's consolidation strategy on its retail outlet network and the decrease in wholesale orders as a result of the termination of distribution relationships with some of the Group's distributors who have slow repayment history.

## Revenue by Product Type

	For the six months ended				Change %
	30 June 2016		30 June 2015		
	RMB million	% of revenue	RMB million	% of revenue	
<b>Apparel</b>					
Men's trousers	348.1	55.2%	479.2	57.9%	-27.4%
Men's tops	265.6	42.1%	344.4	41.6%	-22.9%
Accessories	3.4	0.6%	3.6	0.4%	-5.6%
Fabrics	13.4	2.1%	1.2	0.1%	1,016.7%
<b>Total</b>	<b>630.5</b>	<b>100.0%</b>	<b>828.4</b>	<b>100.0%</b>	<b>-23.9%</b>

Trousers remained as the major revenue contributor of the Group and accounted for 55.2% of the total revenue during the first half of 2016 (the first half of 2015: 57.9%).

## Revenue by Product Style

	For the six months ended				Change %
	30 June 2016		30 June 2015		
	RMB million	% of revenue	RMB million	% of revenue	
<b>Apparel</b>					
Business Casual	356.1	56.5%	469.0	56.7%	-24.1%
Business Formal	184.7	29.3%	249.4	30.1%	-25.9%
Casual	72.9	11.5%	105.2	12.7%	-30.7%
Accessories	3.4	0.6%	3.6	0.4%	-5.6%
Fabrics	13.4	2.1%	1.2	0.1%	1,016.7%
<b>Total</b>	<b>630.5</b>	<b>100.0%</b>	<b>828.4</b>	<b>100.0%</b>	<b>-23.9%</b>

Business casual series continued to be our largest revenue contributor and accounted for 56.5% of the total revenue for the first half of 2016 (the first half of 2015: 56.7%).

# Management Discussion and Analysis

## Revenue by Region

Region	For the six months ended				Change %
	30 June 2016		30 June 2015		
	RMB million	% of revenue	RMB million	% of revenue	
<b>Apparel and accessories</b>					
Northern China <sup>(1)</sup>	100.5	16.0%	137.1	16.6%	-26.7%
Northeastern China <sup>(2)</sup>	10.3	1.6%	52.1	6.3%	-80.2%
Eastern China <sup>(3)</sup>	236.6	37.5%	286.1	34.5%	-17.3%
Central Southern China <sup>(4)</sup>	74.9	11.9%	137.6	16.6%	-45.6%
Southwestern China <sup>(5)</sup>	87.7	13.9%	105.4	12.7%	-16.8%
Northwestern China <sup>(6)</sup>	92.6	14.7%	99.3	12.0%	-6.7%
<b>Subtotal</b>	<b>602.6</b>	<b>95.6%</b>	<b>817.6</b>	<b>98.7%</b>	<b>-26.3%</b>
Online distributor	11.1	1.8%	6.3	0.8%	76.2%
Self-operated retail outlets	3.4	0.5%	3.3	0.4%	3.0%
<b>Subtotal</b>	<b>617.1</b>	<b>97.9%</b>	<b>827.2</b>	<b>99.9%</b>	<b>-25.4%</b>
<b>Fabrics</b>	<b>13.4</b>	<b>2.1%</b>	<b>1.2</b>	<b>0.1%</b>	<b>1,016.7%</b>
<b>Total</b>	<b>630.5</b>	<b>100.0%</b>	<b>828.4</b>	<b>100.0%</b>	<b>-23.9%</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 Northwestern China became the major revenue contributors (the first half of 2015: Eastern China, Northern China and Central Southern China), and together accounted for 68.2% (the first half of 2015: 67.7%) of the total revenue and 65.3% of the total number of stores during the first half of 2016.

# Management Discussion and Analysis

The following map shows the geographical distribution of the retail outlets of the Group in China as of 30 June 2016.



# Management Discussion and Analysis

## Cost of Sales

Cost of sales decreased by approximately 24.8% year-on-year to RMB403.3 million from RMB536.4 million for the same period last year. The decrease was in line with the decrease in revenue during the first half of 2016.

The Group continued to source 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 2016, self-production accounted for approximately 76.4% (the first half of 2015: 70.9%) of the total cost of sales, increased by 5.5 percentage points.

## Gross Profit and Gross Profit Margin

Gross profit for the first half of 2016 decreased by approximately 22.2% year-on-year to RMB227.3 million. Gross profit margin increased by 0.7 percentage points year-on-year to 36.0%. The increase of gross profit margin was mainly attributable to the increase in average selling price compared to the same period last year.

## Other Income

Other income increased by approximately RMB0.5 million year-on-year to RMB7.3 million for the first half of 2016. The increase in other income was mainly attributable to an increase in exchange gain and interest income which was partially offset by the decrease in government grants.



# Management Discussion and Analysis

## Selling and Distribution Expenses

During the first half of 2016, selling and distribution expenses decreased by approximately RMB9.3 million year-on-year to RMB41.8 million, accounting for approximately 6.6% of total revenue, representing a year-on-year increase of 0.4 percentage points. The decrease was primarily due to (i) a decrease in decoration expenses, which was in line with the consolidation strategy on the under-performing shops, and (ii) a decrease in packaging material expenses as a result of decreased sales volume.

Included in the amount were advertising and promotional expenses of approximately RMB16.0 million in total, which accounted for approximately 2.5% of the total revenue, up by 0.7 percentage points compared to the same period last year. The Group continued to take initiatives to promote its corporate image through multi-channel marketing campaigns.

## Administrative and Other Operating Expenses

During the first half of 2016, the Group's administrative and other operating expenses amounted to approximately RMB 90.9 million, accounting for approximately 14.4% of total revenue, representing a year-on-year increase of 9.5 percentage points. The increase was primarily due to the provision of bad and doubtful debt amounting to RMB54.3 million (the first half of 2015: nil). As a result of a slower economic growth and the individually impaired receivables related to customers that were in financial difficulties, the Group's management assessed that only a portion of the receivables is expected to be recovered. Consequently, specific allowance for doubtful debt was recognised. Excluding the effect of the account receivable provision, the Group's administrative and other operating expenses for the first half of 2016 had decreased by 9.9% compared to the corresponding period last year. This was mainly attributable to the decrease in bank charges and other general operation costs due to our cost control strategy during the first half of 2016.

## Finance Costs

During the first half of 2016, finance costs decreased by 6.2% year-on-year to approximately RMB10.5 million, mainly due to lower average interest rate.

## Income Tax

The effective income tax rate for the first half of 2016 was 32.6%, up by 2.5 percentage points from 30.1% for the corresponding period last year. The increase in effect tax rate was mainly due to increase in some offshore expenses incurred which were not tax deductible.

## Profit Attributable to Shareholders of the Company

For the first half of 2016, profit attributable to the shareholders of the Company (the "Shareholders") was approximately RMB61.6 million, representing a year-on-year decrease of 55.0%. Net profit margin was 9.8% for the six months ended 30 June 2016, representing a year-on-year decrease of 6.7 percentage points.

## Interim Dividend

The board (the "Board") of directors (the "Directors") of the Company has resolved not to declare the payment of any interim dividend for the six months ended 30 June 2016.

# Management Discussion and Analysis

## Business Review

### Distribution Network

The following table shows the changes in the number of stores in different regions during the six months ended 30 June 2016:

Region	Number of stores			As of 30 June 2016
	As of 1 January 2016	Stores opened during the period	Stores closed during the period	
Northern China	280	6	15	271
Northeastern China	94	2	17	79
Eastern China	492	13	44	461
Central Southern China	283	1	36	248
Southwestern China	186	4	28	162
Northwestern China	196	2	6	192
<b>Subtotal</b>	<b>1,531</b>	<b>28</b>	<b>146</b>	<b>1,413</b>
Self-operated retail outlets	2	–	–	2
<b>Total</b>	<b>1,533</b>	<b>28</b>	<b>146</b>	<b>1,415</b>

As of 30 June 2016, we had a nationwide retail network of 1,415 retail outlets (including 2 self-operated retail stores) across 240 cities and 31 provinces, autonomous regions and central government-administered municipalities in the PRC. There was a net decrease of 118 retail stores from 1,533 as at 31 December 2015, as we began our consolidation strategy on the retail outlet network during the first half of 2016 and closing down inefficient retail stores.

As of 30 June 2016, 78.4% of the retail outlets were located in department stores or shopping malls whereas 21.6% of the retail outlets were standalone stores.

### Distribution Channel Management

As of 30 June 2016, the Group's distribution network comprised 60 distributors (31 December 2015: 61) and 187 sub-distributors (31 December 2015: 197). Among the 60 distributors, 18 had business relationships with us for more than eight years. We are inviting more experienced distributors to join us. We believe these strong, stable and long-standing relationships with our distributors were essential to our brand building efforts and strong operating track record.

# Management Discussion and Analysis

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.

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 2016, the Group invested moderately in advertising and promotion to enhance its brand awareness, including setting up outdoor LED monitors and large advertising billboards at highway stations located in selected cities in the PRC, including Beijing, Shenzhen, Guangzhou, Chongqing and Chengdu. The Group began to advertise through other various channels, such as advertisements in movie theatres and online advertisements.

The Group continued to upgrade its retail stores to enhance and reinforce its brand image. The Group decorated 25 new stores and renovated 51 existing stores during the first half of 2016. We endeavor to continue to gradually upgrade some of the stores operated by our distributors and their sub-distributors through store renovation and improvement of in-store design and layout.

## Design and Product Development

The Group always puts great emphasis on product design and quality, as we believe our ability and commitment to provide fashionable and comfortable products have been integral to our success. Initiatives include launching of our new men's casual fashion series and developing our own quality fabrics. As of 30 June 2016, our product design and development team consisted of 125 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 2016 fall/winter collections sales fair was held in March 2016. The Group recorded a purchase order decrease of approximately 39% compared to the purchase order placed for its 2015 fall/winter collections in the sales fair held in March 2015. The decrease was in line with the Group's consolidation strategy, and the termination of distribution relationships with some of the Group's distributors who have slow repayment history.

## Prospects

Looking ahead to the second half of 2016, we will still keep our focus on cost control and retail store consolidation of 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.

We look forward to establishing stabilized distributor relationships in the second half of 2016 with more new and experienced distributors joining us. In the second half of the year, we would also like to start realizing the benefits of some of the cost control measures which were installed in the first half of 2016.

# Management Discussion and Analysis

## Liquidity and Financial Resources

As at 30 June 2016, the Group had total bank borrowings of approximately RMB607.5 million (31 December 2015: RMB494.3 million). The net cash position as at 30 June 2016 with comparative figures as at 31 December 2015, were as follows:

	As at 30 June 2016 RMB million	As at 31 December 2015 RMB million
Cash and bank balances (including pledged bank deposits)	951.7	703.8
Less: Total borrowings	(607.5)	(494.3)
Net Cash	344.2	209.5

The maturity profile of the total borrowings as at 30 June 2016 were as follows:

	As at 30 June 2016		As at 31 December 2015	
	RMB million	%	RMB million	%
Bank borrowings				
— Within 1 year	607.5	100.0%	348.0	70.4%
— After 1 year but within 2 years	—	—	146.3	29.6%
Total	607.5	100.0%	494.3	100.0%

As at 30 June 2016, the bank borrowings were secured as follows (with comparative figures as at 31 December 2015):

	As at 30 June 2016 RMB million	As at 31 December 2015 RMB million
Bank borrowings		
— Secured	497.2	474.3
— Unsecured	110.3	20.0
Total	607.5	494.3

# Management Discussion and Analysis

Cash inflow from operating activities for the six months ended 30 June 2016 amounted to approximately RMB241.9 million (30 June 2015: RMB284.1 million). The decrease was mainly due to a decrease in operating profit before changes in working capital of approximately RMB54.6 million, offset by a year-on-year increase in working capital balance of RMB8.2 million and a decrease of income tax paid of RMB4.2 million.

The cash flow used in investing activities for the six months ended 30 June 2016 amounted to approximately RMB3.7 million (30 June 2015: cash inflow of RMB4.2 million). The amount mainly included the payment for the purchase of property, plant and equipment and intangible assets of RMB7.4 million and the net decrease of fixed deposits held at banks with original maturity over three months of RMB2.5 million, and interest received of RMB1.2 million.

The cash flow generated from financing activities for the six months ended 30 June 2016 was approximately RMB9.4 million (30 June 2015: RMB7.2 million), which included dividend paid of RMB88.6 million and interest paid of RMB10.6 million offset by the net bank borrowing of RMB108.6 million.

As at 30 June 2016, the Group's total equity decreased by approximately RMB30.8 million to approximately RMB1,358.3 million (31 December 2015: RMB1,389.1 million).

## Trade Working Capital Ratios

The Group's average inventory turnover days was 34 days for the first half of 2016, as compared to 21 days for the same period last year. The increase was mainly due to the termination of distribution relationships with some distributors who had slow repayment history, which had already placed orders in the 2016 spring/summer sales fair.

The Group's average trade and bills receivables turnover days for the first half of 2016 was 142 days, representing an increase of 16 days from 126 days for the same period last year. The increase was mainly due to lower sales in the current period.

The Group's average trade payables turnover days was 46 days for the first half of 2016, an decrease of 2 days as compared to 48 days for the same period last year. We normally have 30 to 60 days credit period from our suppliers.

The Group recorded a net cash position as at 30 June 2016 and 30 June 2015.

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

## Charges of Assets

As at 30 June 2016, secured bank borrowings were secured by bank deposit, certain buildings, investment properties and land use rights with carrying value of RMB47,100,000 (31 December 2015: RMB47,100,000), RMB246,691,000 (31 December 2015: RMB251,708,000), RMB25,523,000 (31 December 2015: RMB26,117,000) and RMB270,902,000 (31 December 2015: RMB274,456,000), respectively.

# Management Discussion and Analysis

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

During the first half of 2016, there was no significant investment, material acquisition or disposal of subsidiaries and associated companies by the Company.

## Future Plans for Material Investments and Capital Assets

We plan to develop a Fordoo commercial center which is to be leased out (the previous purpose of this centre is for research and development) in Hui'an. The project is under the construction stage. We expect to fund the whole project principally with cash generated from our operations and bank borrowings.

## Capital Commitments and Contingencies

As at 30 June 2016, the Group had a total capital commitment of RMB221.6 million, primarily related to the construction of a new commercial centre which is to be leased out (the previous purpose of this centre is for research and development) in Hui'an, Fujian Province. These capital commitments are expected to be financed by our operations and bank borrowings.

As at 30 June 2016, 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 consolidation purpose. Foreign exchange differences arising from translation of financial statements are directly recognised in equity as a separate reserve. Other than the US dollar fixed deposit held in bank, the Group conducts business transactions principally in Renminbi. Therefore, 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 2,906 employees as at 30 June 2016 (31 December 2015: 3,593). 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, commission/bonuses and share options.

## Use of Proceeds

The shares of the Company (the "Shares") were listed on the main board of The Stock Exchange of Hong Kong Limited (the "Stock Exchange") on 16 July 2014 with net proceeds (the "Net Proceeds") from the global offering of approximately HK\$454.7 million (after deducting underwriting commissions and related expenses). Part of the Net Proceeds were applied during the reporting period in accordance with the proposed applications set out in the section headed "Future Plans and Use of Proceeds" in the prospectus of the Company dated 30 June 2014 (the "Prospectus"). As at 30 June 2016, the Group had utilized HK\$295.2 million of the Net Proceeds and unutilized Net Proceeds amounted to HK\$159.5 million.

# Management Discussion and Analysis

The following table sets forth a breakdown of the use of the Net Proceeds as at 30 June 2016:

Use of net proceeds	Available for use HK\$ million	Utilized (as at 30 June 2016) HK\$ million	Unutilized (as at 30 June 2016) HK\$ million
Brand promotion and marketing	122.8	(71.7)	51.1
Research, design and product development	90.9	(19.7)	71.2
Repay a portion of our bank borrowings	90.9	(90.9)	–
Expand distribution network and provide storefront decoration	59.1	(59.1)	–
Install ERP system	45.5	(8.3)	37.2
Working capital and other general corporate purposes	45.5	(45.5)	–
	454.7	(295.2)	159.5

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

The board (the "Board") of directors (the "Directors") of China Fordoo Holdings Limited (the "Company") is pleased to announce the unaudited consolidated results of the Company and its subsidiaries (together, the "Group") for the six months ended 30 June 2016. The Group's interim results are unaudited, but have been reviewed by the audit committee of the Company.

## Consolidated Statement of Profit or Loss and Other Comprehensive Income

For the six months ended 30 June 2016 – unaudited

(Expressed in Renminbi)

	Note	Six months ended 30 June	
		2016 RMB'000	2015 RMB'000
Revenue	3	630,543	828,384
Cost of sales		(403,273)	(536,356)
<b>Gross profit</b>		<b>227,270</b>	<b>292,028</b>
Other income	4	7,346	6,857
Selling and distribution expenses		(41,767)	(51,096)
Administrative and other operating expenses		(90,913)	(40,642)
<b>Profit from operations</b>		<b>101,936</b>	<b>207,147</b>
Finance costs	5(a)	(10,542)	(11,242)
<b>Profit before taxation</b>	5	<b>91,394</b>	<b>195,905</b>
Income tax	6	(29,757)	(59,007)
<b>Profit for the period</b>		<b>61,637</b>	<b>136,898</b>
<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")		(4,497)	238
<b>Total comprehensive income for the period</b>		<b>57,140</b>	<b>137,136</b>
<b>Earnings per share (RMB cents)</b>			
Basic and diluted	7	13	29

The notes on pages 21 to 33 form part of this interim financial report.

# Consolidated Statement of Financial Position

At 30 June 2016 – unaudited  
(Expressed in Renminbi)

	Note	At 30 June 2016 RMB'000	At 31 December 2015 RMB'000
<b>Non-current assets</b>			
Property, plant and equipment	8	392,452	396,126
Investment properties		25,523	26,117
Lease prepayments		270,902	274,456
Intangible assets		9,296	3,312
Pledged bank deposits	9	–	47,100
Deferred tax assets	15(b)	27,193	13,620
		<b>725,366</b>	<b>760,731</b>
<b>Current assets</b>			
Inventories	10	85,276	63,569
Trade and other receivables	11	473,685	696,750
Pledged bank deposits	9	47,100	–
Fixed deposits held at bank with original maturity over three months	12	142,974	142,682
Cash and cash equivalents	12	761,579	514,051
		<b>1,510,614</b>	<b>1,417,052</b>
<b>Current liabilities</b>			
Trade and other payables	13	211,642	233,133
Bank borrowings	14	607,478	348,000
Current taxation	15(a)	25,870	31,794
		<b>844,990</b>	<b>612,927</b>
<b>Net current assets</b>		<b>665,624</b>	<b>804,125</b>
<b>Total assets less current liabilities</b>		<b>1,390,990</b>	<b>1,564,856</b>
<b>Non-current liabilities</b>			
Bank borrowings	14	–	146,276
Deferred tax liabilities	15(b)	32,740	29,440
		<b>32,740</b>	<b>175,716</b>
<b>NET ASSETS</b>		<b>1,358,250</b>	<b>1,389,140</b>

# Consolidated Statement of Financial Position

At 30 June 2016 – unaudited  
(Expressed in Renminbi)

	<i>Note</i>	At 30 June 2016 RMB'000	At 31 December 2015 RMB'000
<b>CAPITAL AND RESERVES</b>	16		
Share capital		3,811	3,811
Reserves		1,354,439	1,385,329
<b>TOTAL EQUITY</b>		<b>1,358,250</b>	<b>1,389,140</b>

The notes on pages 21 to 33 form part of this interim financial report.

# Consolidated Statement of Changes in Equity

For the six months ended 30 June 2016 – 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	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
	Note 16(b)	Note 16(c)(i)	Note 16(c)(ii)	Note 16(c)(iii)	Note 16(c)(iv)	Note 16(c)(v)		
Balance 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)
Balance at 30 June 2015	3,811	222,097	58,170	39,023	(1,372)	-	923,645	1,245,374
Balance at 1 January 2016	3,811	222,097	93,808	39,023	(9,639)	264	1,039,776	1,389,140
Changes in equity for the six months ended 30 June 2016:								
Profit for the period	-	-	-	-	-	-	61,637	61,637
Other comprehensive income for the period	-	-	-	-	(4,497)	-	-	(4,497)
Total comprehensive income for the period	-	-	-	-	(4,497)	-	61,637	57,140
-----								
Dividends approved in respect of the previous year	16(a)	-	(88,604)	-	-	-	-	(88,604)
Equity-settled share-based payments for employees	16(c)(v)	-	-	-	-	574	-	574
Balance at 30 June 2016	3,811	133,493	93,808	39,023	(14,136)	838	1,101,413	1,358,250

The notes on pages 21 to 33 form part of this interim financial report.

# Condensed Consolidated Cash Flow Statement

For the six months ended 30 June 2016 – unaudited  
(Expressed in Renminbi)

	Note	Six months ended 30 June	
		2016 RMB'000	2015 RMB'000
<b>Operating activities</b>			
Cash generated from operations		287,805	334,305
Income tax paid		(45,954)	(50,179)
Net cash generated from operating activities		241,851	284,126
<b>Investing activities</b>			
Payment for the purchase of property, plant and equipment and intangible assets		(7,388)	(13,400)
Decrease in fixed deposits held at bank with original maturity over three months (net)		2,460	64,503
Increase in pledged bank deposits (net)		–	(47,100)
Other cash flows arising from investing activities		1,201	181
Net cash (used in)/generated from investing activities		(3,727)	4,184
<b>Financing activities</b>			
Proceeds from bank borrowings		203,604	262,691
Repayment of bank borrowings		(95,000)	(108,000)
Dividends paid		(88,604)	(136,360)
Other cash flows used in financing activities		(10,596)	(11,100)
Net cash generated from financing activities		9,404	7,231
Net increase in cash and cash equivalents		247,528	295,541
Cash and cash equivalents at 1 January	12	514,051	183,254
Cash and cash equivalents at 30 June	12	761,579	478,795

The notes on pages 21 to 33 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 Standards Board ("IASB"). It was authorised for issue on 29 August 2016.

The interim financial report has been prepared in accordance with the same accounting policies adopted in 2015 annual financial statements, except for the accounting policy changes that are expected to be reflected in the 2016 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 the Group since the 2015 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").

## 2 Changes in accounting policies

The IASB has issued a number of amendments to IFRSs that are first effective for the current accounting period of the Group. Of these, the following amendments are relevant to the Group:

- Annual Improvements IFRSs 2012–2014 Cycle
- Amendments to IAS 1, Presentation of financial statements: Disclosure initiative

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 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.

Revenue by product type is as follows:

	Six months ended 30 June	
	2016 RMB'000	2015 RMB'000
Men's trousers	348,109	479,196
Men's tops	265,585	344,431
Accessories	3,420	3,560
Fabrics	13,429	1,197
	<b>630,543</b>	<b>828,384</b>

## 4 Other income

	Six months ended 30 June	
	2016 RMB'000	2015 RMB'000
Interest income	3,482	2,863
Government grants	270	3,415
Others	3,594	579
	<b>7,346</b>	<b>6,857</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	
	2016 RMB'000	2015 RMB'000
<b>(a) Finance costs:</b>		
Interest on bank borrowings	10,542	11,242
<b>(b) Staff costs:</b>		
Contributions to defined contribution retirement plans	1,236	1,221
Salaries, wages and other benefits	71,991	85,454
Equity-settled share-based payment expenses for employees ( <i>note 16(d)</i> )	574	–
	<b>73,801</b>	<b>86,675</b>
<b>(c) Other items:</b>		
Amortisation of lease prepayments	3,554	3,554
Amortisation of intangible assets	167	–
Depreciation	10,615	11,425
Research and development costs ( <i>note (i)</i> )	8,617	9,010
Cost of inventories ( <i>note (ii)</i> )	403,273	536,356
Provision for doubtful debts	54,293	–

Notes:

- (i) Research and development costs include staff costs of employees in the design and product development department of RMB5,020,000 (six months ended 30 June 2015: RMB5,535,000) which are included in the staff costs as disclosed in note 5(b).
- (ii) Cost of inventories includes RMB60,914,000 (six months ended 30 June 2015: RMB74,291,000) relating to staff cost, 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	
	2016 RMB'000	2015 RMB'000
<b>Current tax</b>		
Provision for PRC corporate income tax for the period	40,030	51,757
<b>Deferred tax</b>		
Origination and reversal of temporary differences (note 15(b))	(10,273)	7,250
	<b>29,757</b>	<b>59,007</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 2016 and 2015.
- (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.

## 7 Earnings per share

### (a) Basic earnings per share

The calculation of the basic earnings per share for the six months ended 30 June 2016 is based on the profit for the period of RMB61,637,000 (six months ended 30 June 2015: RMB136,898,000) and the weighted average number of issued ordinary shares of 480,000,000 (six months ended 30 June 2015: 480,000,000 shares) during the six months ended 30 June 2016.

### (b) Diluted earnings per share

The effect of the Company's share options was anti-dilutive for the six months ended 30 June 2016. During the six months ended 30 June 2015, there were no dilutive potential ordinary shares issued.

# Notes to the Unaudited Interim Financial Report

(Expressed in Renminbi unless otherwise indicated)

## 8 Property, plant and equipment

During the six months ended 30 June 2016, the Group acquired items of property, plant and equipment with a cost of RMB6,466,000 (six months ended 30 June 2015: RMB13,763,000).

Items of property, plant and equipment with a net book value of RMB121,000 (six months ended 30 June 2015: RMB66,000) were disposed of during the six months ended 30 June 2016.

## 9 Pledged bank deposits

As at 30 June 2016, bank deposits have been pledged as security for bank borrowings, which were repayable within 1 year (see note 14(a)). The pledged bank deposits will be released upon the settlement of relevant bank borrowings.

## 10 Inventories

	At 30 June 2016 RMB'000	At 31 December 2015 RMB'000
Raw materials	23,588	22,526
Work in progress	9,275	7,390
Finished goods	52,413	33,653
	<b>85,276</b>	<b>63,569</b>

## 11 Trade and other receivables

	At 30 June 2016 RMB'000	At 31 December 2015 RMB'000
Trade receivables	573,226	744,599
Less: Provision for doubtful debts	(108,774)	(54,481)
Trade receivables, net of allowance for doubtful debts	464,452	690,118
Prepayments to suppliers	1,298	588
Other deposits, prepayments and receivables	7,935	6,044
	<b>473,685</b>	<b>696,750</b>

# Notes to the Unaudited Interim Financial Report

(Expressed in Renminbi unless otherwise indicated)

## 11 Trade and other receivables (Continued)

### (a) Ageing analysis

As of the end of the reporting period, the ageing analysis of trade receivables, based on invoice date and net of allowance for doubtful debt, is as follows:

	At 30 June 2016 RMB'000	At 31 December 2015 RMB'000
Within 3 months	356,303	451,833
More than 3 months but within 6 months	108,149	238,285
	<b>464,452</b>	<b>690,118</b>

Trade receivables are due within 90–180 days (31 December 2015: 90–180 days) from the date of billing.

### (b) Impairment of trade receivables

Impairment losses in respect of trade receivables are recorded using allowance account unless the Group is satisfied that the recovery of the amount is remote, in which case the impairment loss is written off against trade receivables directly.

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

	At 30 June 2016 RMB'000	At 31 December 2015 RMB'000
At 1 January	54,481	–
Impairment loss recognised	54,293	54,481
At 30 June/31 December	<b>108,774</b>	<b>54,481</b>

As at 30 June 2016, the Group's trade receivables of RMB42,408,000 (31 December 2015: RMB26,418,000) were individually determined to be impaired. The individually impaired receivables related to customers that were in financial difficulties and management assessed that only a portion of the receivables is expected to be recovered. Consequently, specific allowances for doubtful debts of RMB21,204,000 (31 December 2015: RMB8,013,000) were recognised.

### (c) Derecognised bills receivable

As at 30 June 2016, the Group had endorsed bank acceptance bills with recourse of RMB7,100,000 (31 December 2015: RMB9,814,000). 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.

# Notes to the Unaudited Interim Financial Report

(Expressed in Renminbi unless otherwise indicated)

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

	At 30 June 2016 RMB'000	At 31 December 2015 RMB'000
Fixed deposit held at bank with original maturity within three months	–	5,356
Cash at bank and in hand	761,579	508,695
Cash and cash equivalents in the statements of financial position and consolidated cash flow statement	761,579	514,051
Fixed deposits held at bank with original maturity over three months	142,974	142,682
	904,553	656,733

## 13 Trade and other payables

	At 30 June 2016 RMB'000	At 31 December 2015 RMB'000
Trade payables	92,854	110,111
Receipts in advance	6,334	3,684
Other payables and accruals	112,454	119,338
	211,642	233,133

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 2016 RMB'000	At 31 December 2015 RMB'000
Within 1 month	42,898	52,340
After 1 month but within 3 months	49,956	57,771
	92,854	110,111

# Notes to the Unaudited Interim Financial Report

(Expressed in Renminbi unless otherwise indicated)

## 14 Bank borrowings

(a) The bank borrowings were repayable as follows:

	At 30 June 2016 RMB'000	At 31 December 2015 RMB'000
Within 1 year or on demand	607,478	348,000
After 1 year but within 2 years	–	146,276
	<b>607,478</b>	<b>494,276</b>

(b) The bank borrowings were secured as follows:

	At 30 June 2016 RMB'000	At 31 December 2015 RMB'000
Bank borrowings		
— Secured	497,225	474,276
— Unsecured	110,253	20,000
	<b>607,478</b>	<b>494,276</b>

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

	At 30 June 2016 RMB'000	At 31 December 2015 RMB'000
Property, plant and equipment	246,691	251,708
Investment properties	25,523	26,117
Lease prepayments	270,902	274,456
Pledge bank deposits	47,100	47,100
	<b>590,216</b>	<b>599,381</b>

# Notes to the Unaudited Interim Financial Report

(Expressed in Renminbi unless otherwise indicated)

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

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

	At 30 June 2016 RMB'000	At 31 December 2015 RMB'000
PRC Corporate Income Tax	25,870	31,794

(b) Deferred tax assets and liabilities recognised:

*Movement of each component of deferred tax assets and liabilities*

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

Deferred tax arising from:	Withholding tax on dividends RMB'000	Impairment on trade receivable RMB'000	Total RMB'000
At 1 January 2015	(14,240)	–	(14,240)
Charged to consolidated statement of profit or loss and other comprehensive income	(7,250)	–	(7,250)
At 30 June 2015	(21,490)	–	(21,490)
At 1 January 2016	(29,440)	13,620	(15,820)
(Charged)/credited to consolidated statement of profit or loss and other comprehensive income	(3,300)	13,573	10,273
At 30 June 2016	(32,740)	27,193	(5,547)

(c) Deferred tax assets not recognised

At 30 June 2016, certain subsidiaries of the Group have not recognised deferred tax assets in respect of cumulative tax losses carried forward of RMB34,984,000 (31 December 2015: RMB27,849,000), of which RMB16,332,000 (31 December 2015: RMB12,621,000) will expire within 5 years under the current tax legislation. The cumulative tax losses have not been recognised as it is not probable that future taxable profits against which the losses can be utilised will be available in the relevant tax jurisdiction and entities.

# Notes to the Unaudited Interim Financial Report

(Expressed in Renminbi unless otherwise indicated)

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

### (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 2016, deferred tax liabilities relating to the undistributed profits of the Company's PRC subsidiaries of RMB857,210,000 (31 December 2015: RMB810,750,000) 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.

## 16 Capital, reserves and dividends

### (a) Dividends

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

	Six months ended 30 June	
	2016 RMB'000	2015 RMB'000
Final dividend in respect of the previous financial year, approved and paid during the period, of HK22 cents (equivalent to approximately RMB18 cents) per ordinary share (2014: HK36 cents, equivalent to approximately RMB28 cents)	88,604	136,360

### (b) Share capital

*Authorised and issued share capital*

	At 30 June 2016		At 31 December 2015	
	Number of shares	Amount HK\$'000	Number of shares	Amount HK\$'000
<b>Authorised:</b>				
At 1 January/30 June/31 December	1,000,000,000	10,000	1,000,000,000	10,000
	Number of shares	Amount HK\$'000	Number of shares	Amount RMB'000
<b>Issued and fully paid:</b>				
At 1 January/30 June/31 December	480,000,000	4,800	480,000,000	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 portion of the grant date fair value of unexercised share options granted to employees of the Group.

During the vesting period, the number of share options that is expected to vest is reviewed. Any adjustment to the cumulative fair value recognised in prior years is charged/credited to profit or loss for the period of the review with a corresponding adjustment to the share-based payment reserve.

# Notes to the Unaudited Interim Financial Report

(Expressed in Renminbi unless otherwise indicated)

## 16 Capital, reserves and dividends (Continued)

### (d) Equity-settled share-based payments for employees

The Company has adopted a share option scheme (the "Share Option Scheme") on 9 June 2014 whereby the Directors are authorised, at their discretion, to offer options to eligible persons to subscribe for such number of shares in accordance with the terms set out in the Share Option Scheme.

On 7 October 2015, 3,300,000 options were granted to certain Directors and employees of the Group at consideration of HK\$1 (equivalent to RMB0.821 at the date of grant) pursuant to the Share Option Scheme. Each option gives the holder the right to subscribe for one ordinary share in the Company and is settled gross in shares.

Details of the number and weighted average exercise price of share options granted under the Share Option Scheme were as follows:

	Weighted average exercise price	Number of options
Outstanding at 1 January 2016/30 June 2016	HK\$3.56	3,300,000
Exercisable at 30 June 2016	-	-

The shares options outstanding as at 30 June 2016 had an exercise price of HK\$3.56 and a weighted average remaining contractual life of 6.3 years.

## 17 Commitments

### (a) Capital commitments

Capital commitments of the Group in respect of construction in progress outstanding at 30 June 2016 not provided for in the interim financial report:

	At 30 June 2016 RMB'000	At 31 December 2015 RMB'000
Contracted for	221,595	227,645

# Notes to the Unaudited Interim Financial Report

(Expressed in Renminbi unless otherwise indicated)

## 17 Commitments (Continued)

### (b) Operating leases

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

	At 30 June 2016 RMB'000	At 31 December 2015 RMB'000
Within 1 year	704	112
After 1 year but within 2 years	460	–
	<b>1,164</b>	<b>112</b>

The Group leases two properties under operating lease, which run for an initial period of 1 to 2 years, at the end of which period all terms are renegotiated. None of the leases includes contingent rentals.

## 18 Material related party transactions

### (a) Guarantee from related parties

At 30 June 2016, certain bank borrowings were guaranteed by Mr. Kwok Kin Sun, who is the ultimate controlling party.

### (b) Key management personnel compensation

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

	Six months ended 30 June	
	2016 RMB'000	2015 RMB'000
Short-term employee benefits	3,742	3,329
Contributions to retirement benefit scheme	31	27
Equity-settled share-based payment expenses for employees	574	–
	<b>4,347</b>	<b>3,356</b>

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

# 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 2016, 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") as 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%
Ms. Yuan Mei Rong <sup>(3)</sup>	Beneficial owner	600,000	0.125%
Mr. Kwauk Teh-Ming Walter <sup>(3)</sup>	Beneficial owner	300,000	0.0625%
Mr. Zhang Longgen <sup>(3)</sup>	Beneficial owner	300,000	0.0625%
Mr. Cheung Chiu Tung <sup>(3)</sup>	Beneficial owner	300,000	0.0625%

Notes:

- (1) Mr. Kwok Kin Sun, the chairman of the Board and an executive Director, is deemed to be interested in all the Shares held by Everkept Limited ("Everkept") by reason of his 70% interest in the share capital of Everkept.
- (2) Mr. Kwok Hon Fung, an executive Director and the 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.
- (3) These are shares subject to the exercise of the share options granted by the Company under the Share Option Scheme on 7 October 2015. Details of the Share Option Scheme are set out in the section headed "Share Option Scheme" below. Following Mr. Kwauk Teh-Ming Walter's resignation as an independent non-executive Director on 16 August 2016, the share options held by him lapsed on the same date.

Save as disclosed above, as at 30 June 2016, 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

Save as disclosed in the section headed "Share Option Scheme" below, 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 spouses or minor children, or were any such rights exercised 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 any 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 2016, 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 2016, 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 2016.

### Review of Interim Results

The Company has established an audit committee (the "Audit Committee") which comprises the three independent non-executive Directors. As at 30 June 2016, the members of the Audit Committee were Mr. Kwauk Teh-Ming Walter (Chairman of the Audit Committee (resigned on 16 August 2016)), Mr. Zhang Longgen and Mr. Cheung Chiu Tung. The current members of the Audit Committee are Mr. Poon Yick Pang Philip (Chairman of the Audit Committee (appointed on 16 August 2016)), Mr. Zhang Longgen and Mr. Cheung Chiu Tung. The Audit Committee has reviewed with the management the accounting principles and practices adopted by the Company and discussed auditing, financial reporting, internal control and risk management systems, and has reviewed the unaudited interim financial report for the six months ended 30 June 2016.

## Other Information

### Share Option Scheme

The Company adopted a share option scheme (the "Share Option Scheme") on 9 June 2014 for the purpose of providing incentives and rewards to eligible participants who contribute to the Group. Details of the Share Option Scheme were set out in the 2015 Annual Report of the Company.

Details of movements of the share options during the six months ended 30 June 2016 are set out below:

Category	Date of grant	Exercise price (HK\$)	Exercisable period	As at 1 January 2016	Number of Share Options				As at 30 June 2016
					Granted	Exercised	Cancelled	Lapsed	
<b>Directors</b>									
Yuan Mei Rong	7 October 2015	3.56	7 October 2016 to 6 October 2021	200,000	-	-	-	-	200,000
	7 October 2015	3.56	7 October 2017 to 6 October 2022	200,000	-	-	-	-	200,000
	7 October 2015	3.56	7 October 2018 to 6 October 2023	200,000	-	-	-	-	200,000
Kwauk Teh-Ming Walter <sup>(1)</sup>	7 October 2015	3.56	7 October 2016 to 6 October 2021	100,000	-	-	-	-	100,000
	7 October 2015	3.56	7 October 2017 to 6 October 2022	100,000	-	-	-	-	100,000
	7 October 2015	3.56	7 October 2018 to 6 October 2023	100,000	-	-	-	-	100,000
Zhang Longgen	7 October 2015	3.56	7 October 2016 to 6 October 2021	100,000	-	-	-	-	100,000
	7 October 2015	3.56	7 October 2017 to 6 October 2022	100,000	-	-	-	-	100,000
	7 October 2015	3.56	7 October 2018 to 6 October 2023	100,000	-	-	-	-	100,000
Cheung Chiu Tung	7 October 2015	3.56	7 October 2016 to 6 October 2021	100,000	-	-	-	-	100,000
	7 October 2015	3.56	7 October 2017 to 6 October 2022	100,000	-	-	-	-	100,000
	7 October 2015	3.56	7 October 2018 to 6 October 2023	100,000	-	-	-	-	100,000
<b>Employee</b>									
In aggregate	7 October 2015	3.56	7 October 2016 to 6 October 2021	600,000	-	-	-	-	600,000
	7 October 2015	3.56	7 October 2017 to 6 October 2022	600,000	-	-	-	-	600,000
	7 October 2015	3.56	7 October 2018 to 6 October 2023	600,000	-	-	-	-	600,000
<b>Total</b>				<b>3,300,000</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>3,300,000</b>

#### Notes:

- (1) Following his resignation as an independent non-executive Director on 16 August 2016, the share options held by Kwauk Teh-Ming Walter lapsed on the same date.

As at 30 June 2016 and the date of this report, no option granted under the Share Option Scheme had vested and become exercisable.

# Other Information

## 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 2016.

## 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 during the six months ended 30 June 2016, except for a deviation from Code provision A.6.7.

Under Code provision A.6.7, independent non-executive directors and other non-executive directors should attend general meetings and develop a balance understanding of the view of the shareholders. Due to other pre-arranged business commitments, Mr. Zhang Longgen and Mr. Cheung Chiu Tung, both independent non-executive Directors, were not able to attend the 2016 annual general meeting of the Company which was held on 5 May 2016.

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

As disclosed in the Prospectus, the Company has agreed with Human Resources and Social Welfare Bureau of Fengze District, Quanzhou (the "Bureau") on a five-year social insurance fund contribution scheme (the "Five-year Scheme"). According to the Five-year Scheme, the Company expects to make future social insurance fund contributions for all of its eligible employees gradually in accordance with the relevant PRC laws and regulations in the five years from 2014 to 2018. The Company will, on a regular basis, update the Bureau and the Shareholders on the progress of the Five-year Scheme, and settle the unsubscribed social insurance contribution with any employees as required by them or by any relevant government authority. Our Directors have reviewed and considered that the Company has fully made the necessary social contributions for the six months ended 30 June 2016 in accordance with the agreement with the Bureau.

## Other Information

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

29 August 2016