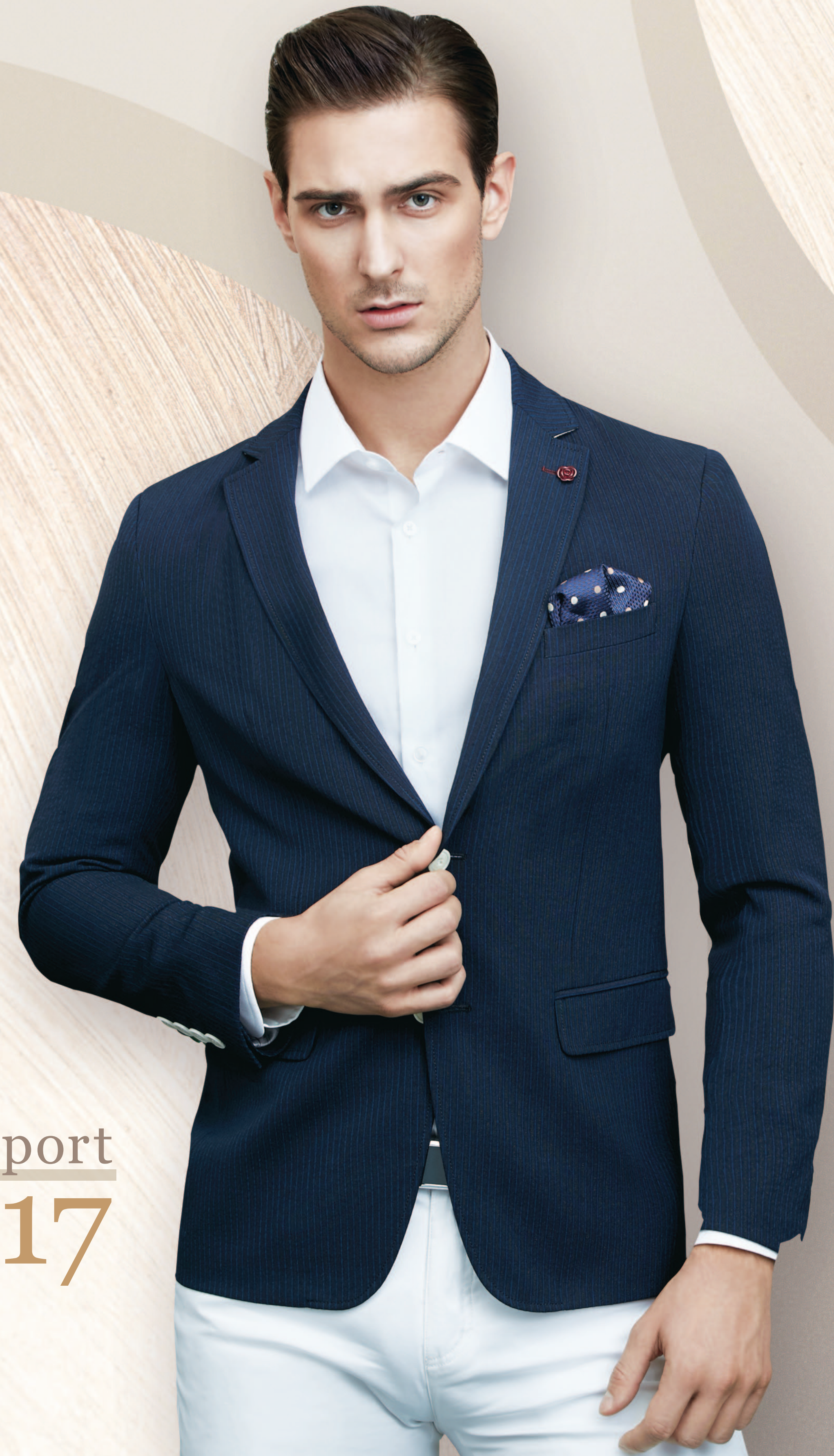
CHINA FORDOO HOLDINGS LIMITED

中國虎都控股有限公司

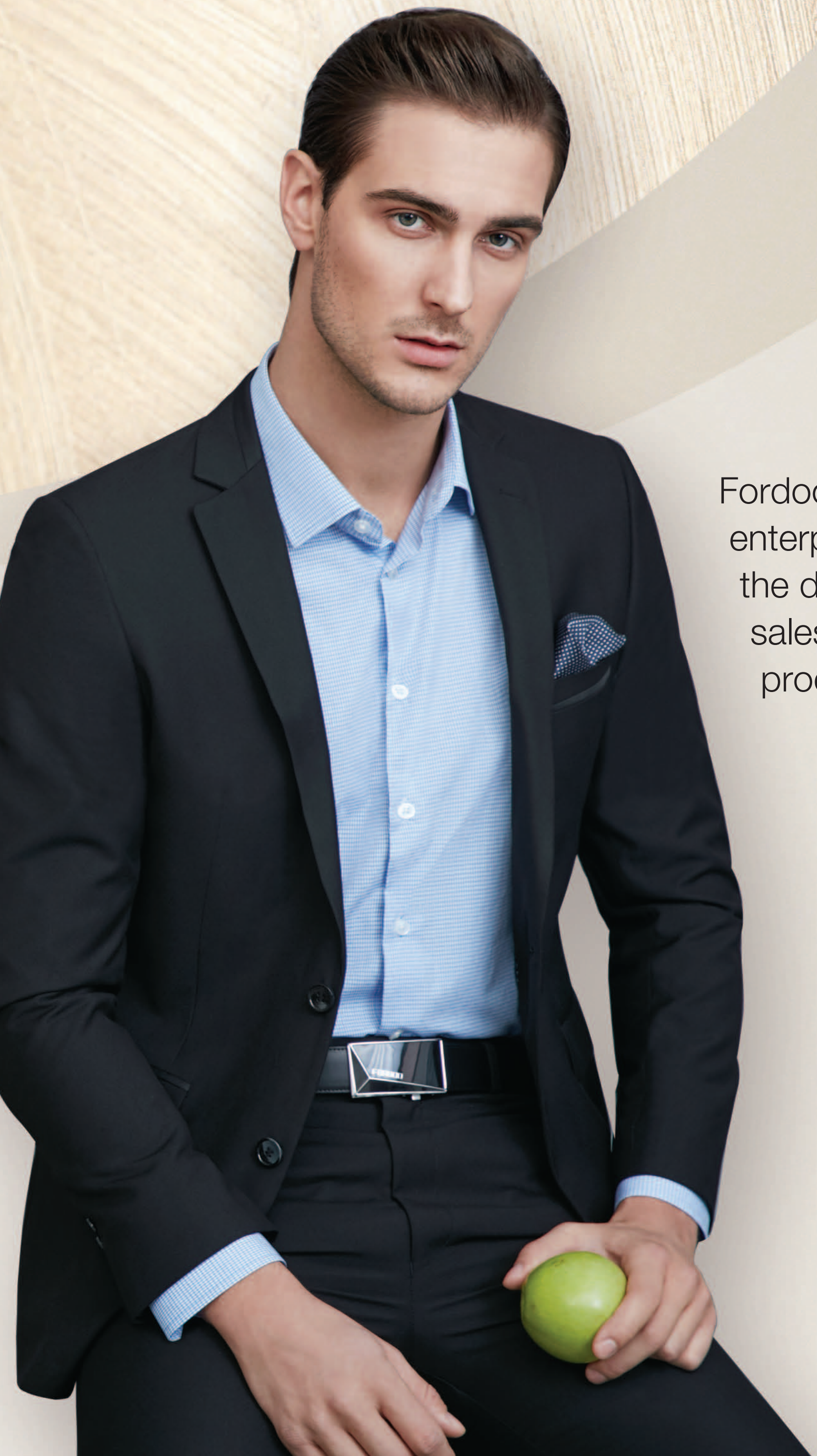
(incorporated in the Cayman Islands with limited liability)

Stock Code: 2399

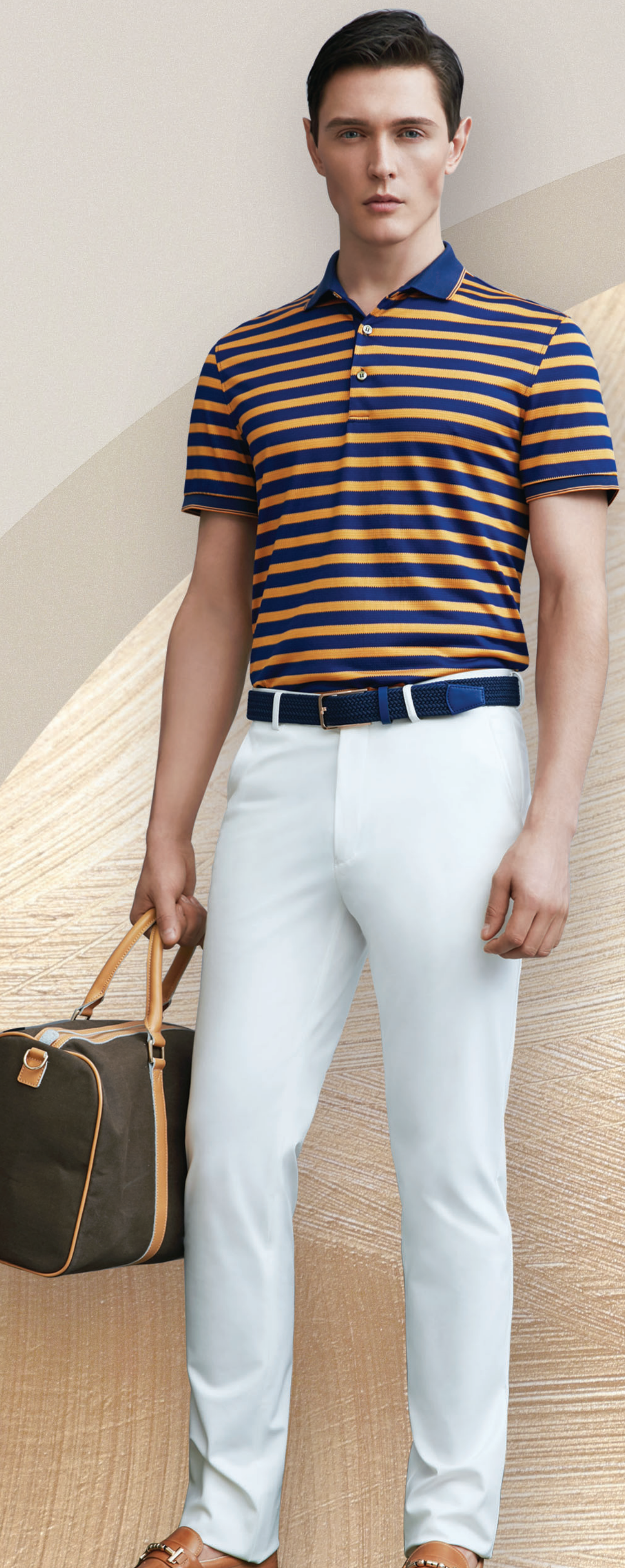


Interim Report 2017

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

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
Mr. Poon Yick Pang Philip
Mr. Zhang Longgen

Audit Committee

Mr. Poon Yick Pang Philip *(Chairman)*
Mr. Cheung Chiu Tung
Mr. Zhang Longgen

Remuneration Committee

Mr. Cheung Chiu Tung *(Chairman)*
Mr. Poon Yick Pang Philip
Mr. Zhang Longgen

Nomination Committee

Mr. Kwok Kin Sun *(Chairman)*
Mr. Poon Yick Pang Philip
Mr. Zhang Longgen

Company Secretary

Mr. Chung Ming Kit (resigned on 7 July 2017)
Mr. Lai Tsz Yin (appointed on 7 July 2017)

Authorized Representatives

Mr. Kwok Kin Sun
Mr. Poon Yick Pang Philip (alternate to Mr. Kwok Kin Sun)
Mr. Chung Ming Kit (resigned on 7 July 2017)
Mr. Kwok Hon Fung (appointed on 7 July 2017)

Auditor

Elite Partners CPA Limited, *Certified Public Accountants*

Legal Adviser As To Hong Kong Law

Luk & Partners
In Association with
Morgan, Lewis & Bockius

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

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

Hong Kong Share Registrar

Boardroom Share Registrars (HK) Limited
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
China Mingsheng 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

Company Website

www.fordoo.cn

Financial Highlights

- Revenue of the Group decreased by 4.9% to RMB599.9 million (2016: RMB630.5 million).
- Gross profit of the Group decreased by 4.9% to RMB216.2 million (2016: RMB227.3 million).
- EBITDA of the Group increased by 16.0% to RMB134.9 million (2016: RMB116.3 million).
- Net profit of the Group increased by 19.8% to RMB73.8 million (2016: RMB61.6 million).
- Basic and diluted earnings per share increased by 15.4% to RMB15 cents (2016: RMB13 cents).

	For the six months ended		
	30 June 2017	30 June 2016	Change
Profitability ratios			
Gross profit margin	**36.0%**	36.0%	–
EBITDA margin	**22.5%**	18.4%	4.1ppt
Net profit margin	**12.3%**	9.8%	2.5ppt
Return on equity[(1)]	**9.8%**	9.1%	0.7ppt

	As at 30 June 2017	As at 30 June 2016	
Liquidity ratios			
Inventory turnover (Days)[(2)]	**36**	34	
Trade and bills receivables turnover (Days)[(3)]	**108**	142	
Trade payables turnover (Days)[(4)]	**38**	46	
Capital ratios			
Interest coverage ratios[(5)]	**11**	10	
Net Debt to equity ratio[(6)]	**Net Cash**	Net Cash	
Gearing ratio[(7)]	**32.2%**	44.7%	–12.5ppt

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 2017 and 30 June 2016, 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 2017, according to the National Bureau of Statistics of China ("NBSC"), the country's economy maintained a steady stable growth pace. The scale of consumer goods market in China has further expanded. Major driving forces of the economic growth include the structure of consumer goods market, commodity market and optimized adjustment of the regional market. According to NBSC, the country's gross domestic product for the first half of 2017 increased by 6.9% year-on-year to RMB38,149.0 billion. Total retail sales of garments, hats, footwear and knitwear recorded a 7.3% year-on-year increase.

Statistically, we did see some rebound of the retail sales in the first half of the year. However, consumer sentiment was not as strong as what we expected as at the end of last year. During the first half of 2017, China Fordoo Holdings Limited (the "Company") and its subsidiaries (together the "Group") continued to execute our wholesale retail store consolidation strategy but at the same time stepped up our efforts direct retail operations in order to establish and maintain direct contact with customers and obtain customers' preferences and feedbacks directly. On 14 June 2017, the Group entered into a share transfer agreement (the "Agreement") to acquire Chameleon Ventures Limited, which indirectly holds Beijing Haoyin Clothing Co., Ltd., which has acted as the Group's distributor in Beijing, with the aim of increasing the number of direct retail outlets and strengthening its foothold in Beijing. The acquisition was completed on 31 July 2017.

Financial Review

For the six months ended 30 June 2017, the Group's profit was approximately RMB73.8 million, representing an increase of 19.8% as compared to RMB61.6 million for the corresponding period last year. As of 30 June 2017, the Group had 1,273 retail outlets (including 2 self-operated retail stores), representing a net decrease of 53 retail outlets from 1,326 retail outlets as at 31 December 2016.

The main operation of the Group is manufacturing and wholesaling of menswear in the People's Republic of China (the "PRC").

(a) Segment revenue and results

There are over 90% of the Group's revenue, operating results during the six months ended 30 June 2017 and 2016 were mainly derived from its manufacturing and wholesaling of menswear. Consequently, no operating segment analysis is presented.

(b) Segment assets and liabilities

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

	Menswear		Consolidated	
	At 30 June 2017 RMB million	At 31 December 2016 RMB million	**At 30 June 2017 RMB million**	At 31 December 2016 RMB million
Segment assets	**1,790.0**	1,815.5	**1,790.0**	1,815.5
Unallocated assets(1)			**564.8**	488.8
Total assets			**2,354.8**	2,304.3
Segment liabilities	**743.5**	689.2	**743.5**	689.2
Unallocated liabilities(1)			**112.8**	194.1
Total liabilities			**856.3**	883.3

Notes:

(1) Unallocated assets and liabilities mainly represent those relating to the commercial center project located in Hui'an, Fujian Province, the PRC, which is under the construction stage as at 30 June 2017.

(c) Geographical information

The following tables present the Group's geographical information in terms of revenue for the six months ended 30 June 2017 and 2016, and non-current assets as at 30 June 2017 and 31 December 2016.

Revenue from external customers

	Six months ended 30 June	
	2017 RMB million	2016 RMB million
PRC	**522.1**	630.5
Hong Kong	**77.8**	–
	599.9	630.5

The revenue information above is based on the locations of the customers.

Non-current assets

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

Management Discussion and Analysis

Revenue

For the six months ended 30 June 2017, revenue decreased by approximately 4.9% to RMB599.9 million, compared to RMB630.5 million for the same period last year. The decrease in revenue was primarily caused by the decreased purchase orders in the 2017 spring/summer sales fair due to distributors' cautious market forecast of the apparel retail industry. In addition, the decrease in wholesale orders was also caused by Group's continuing consolidation strategy on its retail outlet network and 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				
	30 June 2017		30 June 2016		**Change**
	RMB million	**% of revenue**	RMB million	% of revenue	**%**
Apparel					
Men's trousers	**329.5**	**54.9%**	348.1	55.2%	–5.3%
Men's tops	**257.2**	**42.9%**	265.6	42.1%	–3.2%
Accessories	**3.1**	**0.5%**	3.4	0.6%	–8.8%
Fabrics	**10.1**	**1.7%**	13.4	2.1%	–24.6%
Total	**599.9**	**100.0%**	630.5	100.0%	–4.9%

Trousers remained the major revenue contributor of the Group and accounted for 54.9% of the total revenue during the first half of 2017 (the first half of 2016: 55.2%).

Revenue by Product Style

	For the six months ended				
	30 June 2017		30 June 2016		**Change**
	RMB million	**% of revenue**	RMB million	% of revenue	**%**
Apparel					
Business Casual	**315.8**	**52.6%**	356.1	56.5%	–11.3%
Business Formal	**100.1**	**16.7%**	184.7	29.3%	–45.8%
Casual	**170.8**	**28.5%**	72.9	11.5%	134.3%
Accessories	**3.1**	**0.5%**	3.4	0.6%	–8.8%
Fabrics	**10.1**	**1.7%**	13.4	2.1%	–24.6%
Total	**599.9**	**100.0%**	630.5	100.0%	–4.9%

Business casual series continued to be our largest revenue contributor and accounted for 52.6% of the total revenue for the first half of 2017 (the first half of 2016: 56.5%).

Management Discussion and Analysis

Revenue by Region

Region	For the six months ended 30 June 2017 RMB million	% of revenue	30 June 2016 RMB million	% of revenue	Change %
Apparel and accessories					
Northern China [(1)]	**89.4**	**14.9%**	100.5	16.0%	–11.0%
Northeastern China [(2)]	**23.3**	**3.9%**	10.3	1.6%	126.2%
Eastern China [(3)]	**208.4**	**34.7%**	236.6	37.5%	–11.9%
Central Southern China [(4)]	**81.9**	**13.7%**	74.9	11.9%	9.3%
Southwestern China [(5)]	**45.6**	**7.6%**	87.7	13.9%	–48.0%
Northwestern China [(6)]	**54.2**	**9.0%**	92.6	14.7%	–41.5%
Hong Kong [(7)]	**77.8**	**13.0%**	–	–	N/A
Subtotal	**580.6**	**96.8%**	602.6	95.6%	–3.7%
Online distributor	**5.8**	**1.0%**	11.1	1.8%	–47.7%
Self-operated retail outlets	**3.4**	**0.5%**	3.4	0.5%	–
Subtotal	**589.8**	**98.3%**	617.1	97.9%	–4.4%
Fabrics	**10.1**	**1.7%**	13.4	2.1%	–24.6%
Total	**599.9**	**100.0%**	630.5	100.0%	–4.9%

Notes:

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

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

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

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

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

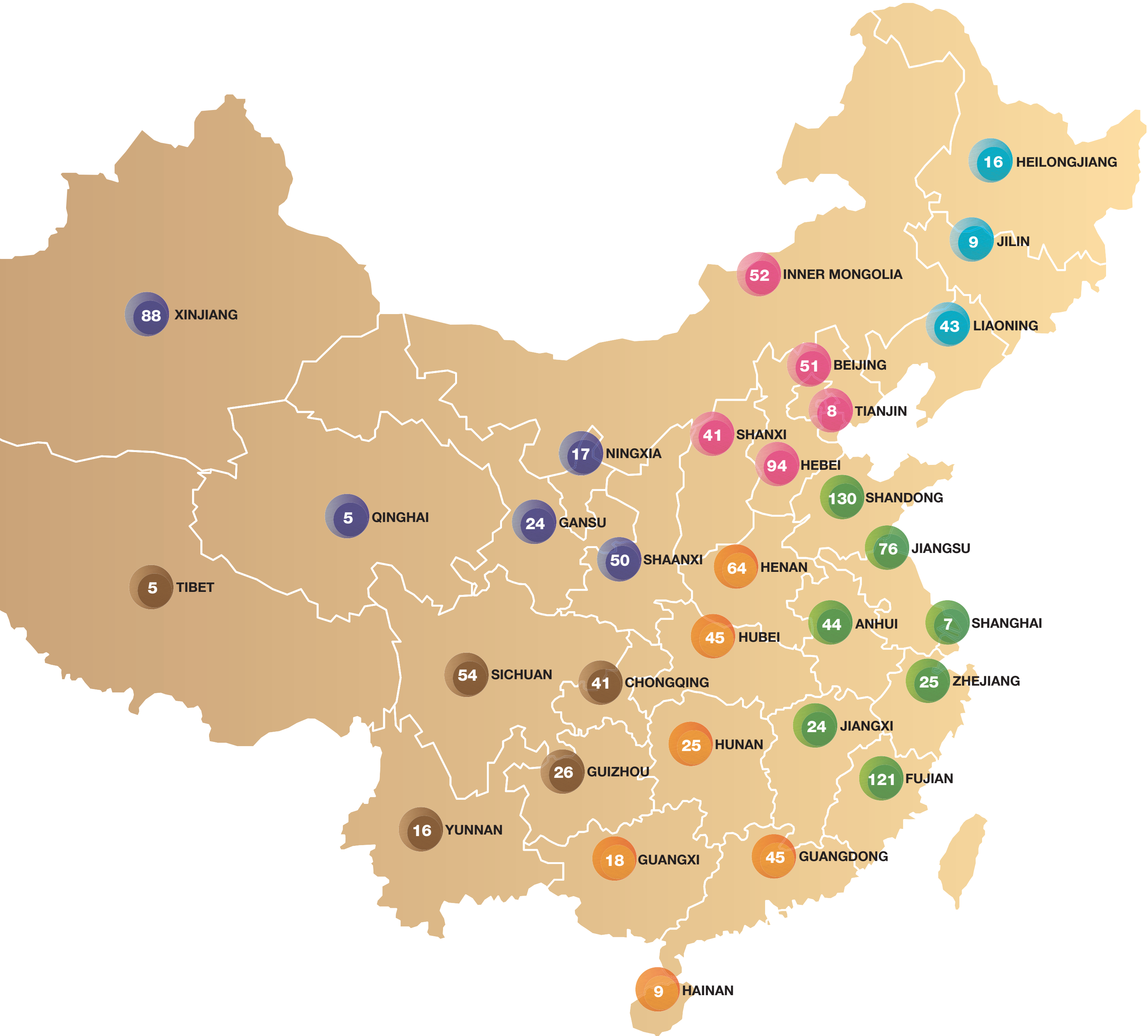
(6) Northwestern China includes Shaanxi, Gansu, Qinghai, Ningxia and Xinjiang.

(7) The Group started a new business to develop overseas market by selling to certain Hong Kong based trading companies since the second half of 2016 to expand our revenue sources. These revenue were not derived from retail sales.

Eastern China, Northern China and Central Southern China became the major revenue contributors (the first half of 2016: Eastern China, Northern China and Northwestern China), and together accounted for 63.3% (the first half of 2016: 68.2%) of the total revenue and 69.0% (the first half of 2016: 65.3%) of the total number of stores during the first half of 2017.

Management Discussion and Analysis

The following map shows the geographical distribution of the retail outlets of the Group in China as of 30 June 2017.



Management Discussion and Analysis

Cost of Sales

Cost of sales decreased by approximately 4.9% year-on-year to RMB383.7 million from RMB403.3 million for the same period last year. The decrease was in line with the decrease in revenue during the first half of 2017.

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 2017, self-production accounted for approximately 64.9% (the first half of 2016: 76.4%) of the total cost of sales, decreased by 11.5 percentage points compared to the same period last year. The decrease was mainly due to the fact that we purchase more higher-value products from OEMs and utilized some of our production facilities to fulfill certain lower-value overseas bulk purchase orders (the first half of 2016: none). Although self-production decreased by 11.5 percentage points, the capacity utilization increased by 10.1 percentage points compared to the same period last year.

Gross Profit and Gross Profit Margin

Gross profit for the first half of 2017 decreased by approximately 4.9% year-on-year to RMB216.2 million. Gross profit margin was 36.0%, which was the same as the same period last year.

Other Income

Other income decreased by approximately RMB4.4 million year-on-year to RMB2.9 million for the first half of 2017. The decrease in other income was mainly due to: (i) a net foreign exchange loss of RMB1.3 million which was reclassified to administrative and other operating expenses (the first half of 2016: exchange gain of RMB2.7 million), was mainly due to RMB weakening against the US dollar in the first half of 2017; and (ii) a decrease in interest income of approximately RMB1.4 million, which was mainly due to the decrease of fixed deposits held at bank with maturity over three months.

Selling and Distribution Expenses

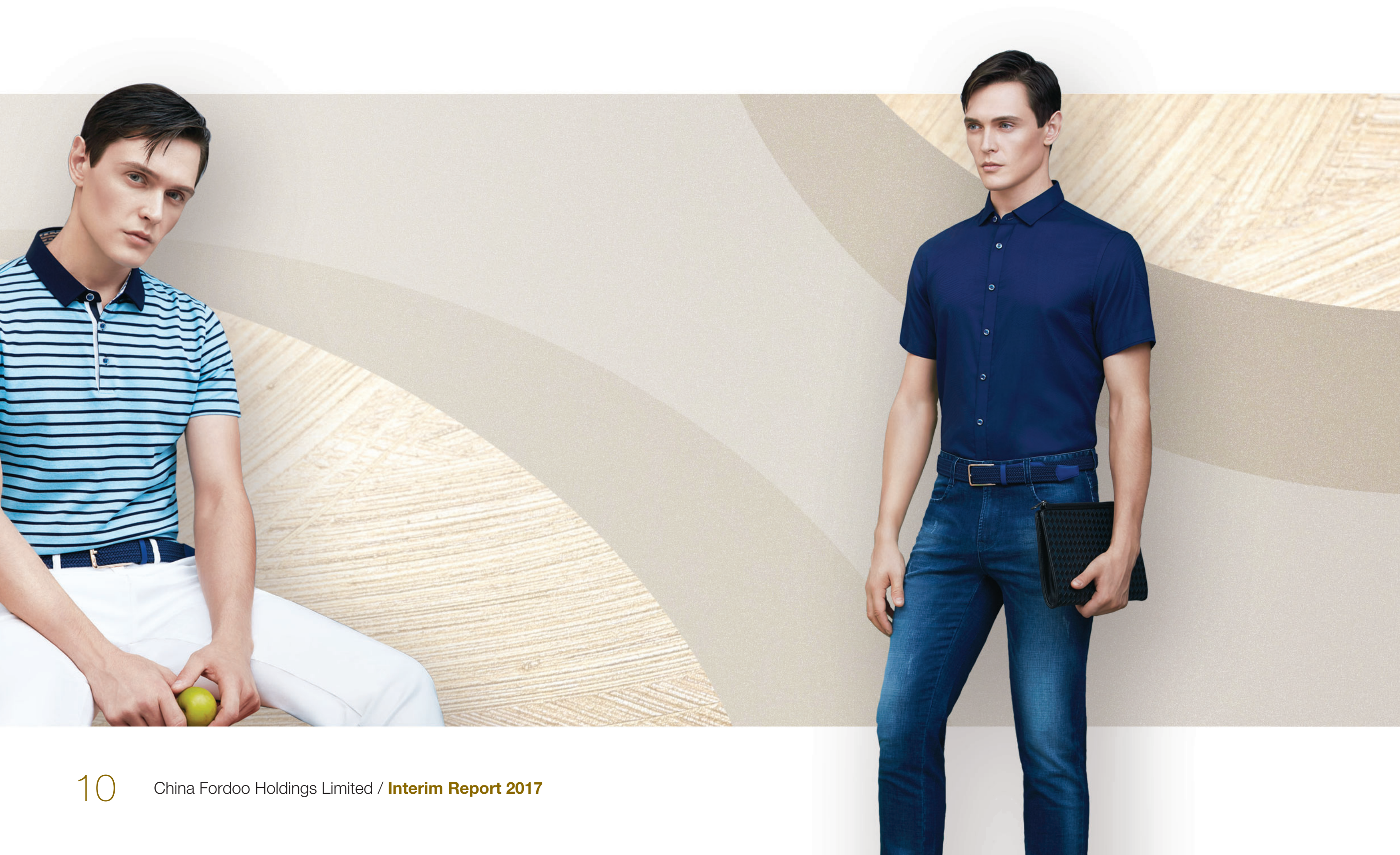
During the first half of 2017, selling and distribution expenses decreased by approximately RMB12.8 million year-on-year to RMB29.0 million, accounting for approximately 4.8% of total revenue, representing a year-on-year decrease of 1.8 percentage points. The decrease was primarily due to: (i) a decrease in advertising and promotional expenses; (ii) a decrease in packaging material expenses as a result of decreased sales volume; and (iii) a decrease in decoration expenses, which was in line with the consolidation strategy on the under-performing shops.

Management Discussion and Analysis

Selling and distribution expenses included advertising and promotional expenses of approximately RMB8.1 million, which accounted for approximately 1.4% of the total revenue, down by 1.1 percentage points compared to the same period last year. The Group expected to increase advertising and promotional expenses in the second half of 2017 to continue to promote its corporate image through multi-channel marketing campaign.

Administrative and Other Operating Expenses

During the first half of 2017, the Group's administrative and other operating expenses amounted to approximately RMB67.1 million, accounting for approximately 11.2% of total revenue, representing a year-on-year decrease of 3.2 percentage points. Included in the amount was net provision for bad and doubtful debt of approximately RMB27.9 million (the first half of 2016: RMB54.3 million) in total. After terminating distribution relationships with some distributors who had slow repayment history in the previous year, the overall account receivables have improved and provision for bad and doubtful debts has decreased considerably. However, as a result of slower economic growth, the Group continued to adopt a prudent account receivables provision policy and made provisions on certain long outstanding account receivables based on the ageing payment history and other specific criteria. Excluding the effect of the account receivable provision, the Group's administrative and other operating expenses for the first half of 2017 had increased by 7.1% compared to the corresponding period last year. The increase was mainly due to the increase in bank charges, foreign exchange losses and other general operating expenses.



Management Discussion and Analysis

Finance Costs

During the first half of 2017, finance costs increased by 1.9% year-on-year to approximately RMB10.7 million, mainly due to higher average interest rate.

Income Tax

The effective income tax rate for the first half of 2017 was 33.1%, up by 0.5 percentage points from 32.6% for the corresponding period last year. The increase in effective tax rate was 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 2017, profit attributable to the shareholders of the Company (the "Shareholders") was approximately RMB73.8 million, representing a year-on-year increase of 19.8%. Net profit margin was 12.3% for the six months ended 30 June 2017, representing a year-on-year increase of 2.5 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 2017.

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 2017:

	Number of stores			
Region	As of 1 January 2017	**Stores opened during the period**	**Stores closed during the period**	**As of 30 June 2017**
Northern China	262	4	20	**246**
Northeastern China	68	3	3	**68**
Eastern China	444	9	28	**425**
Central Southern China	222	1	17	**206**
Southwestern China	145	2	5	**142**
Northwestern China	183	1	0	**184**
Subtotal	1,324	20	73	**1,271**
Self-operated retail outlets	2	0	0	**2**
Total	1,326	20	73	**1,273**

As at 30 June 2017, we had a nationwide retail network of 1,273 retail outlets (including 2 self-operated retail stores) across over 250 cities and 31 provinces, autonomous regions and central government-administered municipalities in the PRC. There was a net decrease of 53 retail stores from 1,326 as at 31 December 2016, as we continued our consolidation strategy on the retail outlet network during the first half of 2017 and closed down inefficient retail stores.

As at 30 June 2017, 78.5% of the retail outlets were located in department stores or shopping malls whereas 21.5% of the retail outlets were standalone stores.

Distribution Channel Management

As at 30 June 2017, the Group's distribution network comprised 64 distributors (31 December 2016: 61 distributors) and 168 sub-distributors (31 December 2016: 182) . Among the 64 distributors, 13 had business relationships with us for more than eight years. We believe these strong, stable and long-standing relationships with our distributors are essential to our brand building and strong operating track record. At the same time, in order to strengthen our distribution channel, we are inviting distributors with deep industry experience, stable working capital and managerial expertise to join our distribution network.

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.

Management Discussion and Analysis

Marketing and Promotion

The Group believes that brand awareness is crucial to its long-term business development and future success. In the first half of 2017, the Group invested moderately in advertising and promotion to enhance its brand awareness, including organising presentation events for new products, sponsoring ‘Running Together’, a marathon held in Xia’men, and the movie ‘Revenge for Love’, which premiered on Valentine’s Day 2017 in mainland China. The posters, advertising materials and the credit list for these events and movie all bore the Group’s logo. The Group is also engaged in online advertisement through internet products and software value-added services to promote our brandname.

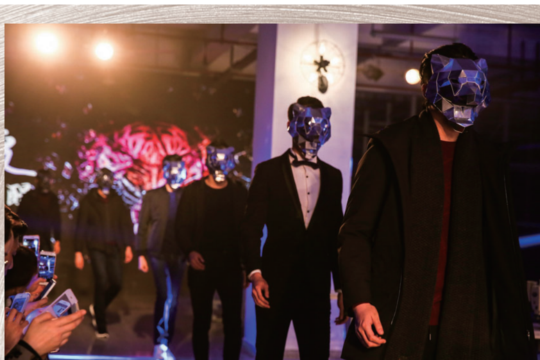
The Group continued the renovation program for its retail stores to enhance and reinforce its brand image. The Group opened 19 new stores and renovated 51 existing stores during the first half of 2017. We also endeavor to continue to gradually upgrade some of the stores operated by our distributors and their sub-distributors through store renovation and improvement of in-store design and layout.

Design and Product Development

The Group always put 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 2017, our product design and development team consisted of 128 members. The key team members with the responsibility of planning, implementing, supervising and managing 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 improve product designs.

Sales Fairs

We generally organize sales fairs at our headquarters in Quanzhou to showcase our upcoming products for the spring/summer and autumn/winter collections to our existing and potential distributors and sub-distributors. We review our distributors’ orders placed at our sales fair to ensure that they are reasonable and consistent with the distributor’s capacity and development plans. The sales fairs for 2017 autumn/winter collections was held in March 2017, and the sales fairs for 2018 spring/summer collections will be held in August 2017.



Prospects

Looking ahead into the second half of 2017, we will utilize our newly acquired direct retail platform in Beijing to enhance our market position. We will continue our wholesale retail store consolidation strategy targeting under-performing shops. We will also enhance our control over the distributors and sub-distributors, and will further strengthen our design and product development capabilities.

Furthermore, we will continue to evaluate the performance of our existing distributors and identify new and experienced distributors that could complement our current distribution network. We will also continue to realize the benefits of the cost control measures which were installed in the previous year and the first half of 2017.

Liquidity and Financial Resources

As at 30 June 2017, the Group had total bank borrowings of approximately RMB482.6 million (31 December 2016: RMB606.5 million). The net cash position as at 30 June 2017 with comparative figures as at 31 December 2016 is as follows:

	As at 30 June 2017 RMB million	As at 31 December 2016 RMB million
Cash and bank balances (including pledged bank deposits)	**883.4**	953.3
Less: Total borrowings	**(482.6)**	(606.5)
Less: Amount due to Mr. Kwok Kin Sun & Mr. Kwok Hon Fung[1]	**(31.4)**	–
Net Cash	**369.4**	346.8

Note:

(1) The borrowings from the ultimate controlling parties, Mr. Kwok Kin Sun and Mr. Kwok Hon Fung, were primarily used to as short term working capital of the Group and repay certain bank borrowings. The amounts due to our controlling shareholders was unsecured, interest-free and had no fixed repayment terms, and are expected to be repaid in the second half of 2017.

The maturity profile of the total borrowings as at 30 June 2017 were as follows (with comparative figures as at 31 December 2016):

	As at 30 June 2017		As at 31 December 2016	
	RMB million	**%**	RMB million	%
Bank borrowings				
— Within 1 year	**482.6**	**100%**	606.5	100.0%
— After 1 but within 2 years	**–**	**–**	–	–
Total	**482.6**	**100%**	606.5	100.0%

As at 30 June 2017, the bank borrowings were secured as follows (with comparative figures as at 31 December 2016):

	As at 30 June 2017 RMB million	As at 31 December 2016 RMB million
Bank borrowings		
— Secured	**438.6**	506.2
— Unsecured	**44.0**	100.3
Total	**482.6**	606.5

Cash inflow from operating activities for the six months ended 30 June 2017 amounted to approximately RMB115.5 million (30 June 2016: RMB241.9 million). The decrease was mainly due to a decrease in operating profit before changes in working capital of approximately RMB2.6 million and a decrease in working capital balance of RMB131.5 million, offset by a year-on-year decrease of income tax paid of RMB7.7 million.

The cash flow used in investing activities for the six months ended 30 June 2017 amounted to approximately RMB6.6 million (30 June 2016: RMB3.7 million). The amount mainly included payment for the purchase of property, plant and equipment, payment for the deposit for acquisition of intangible assets, and payment of construction in progress of RMB55.0 million, investment in an associate of RMB2.0 million, and offset by net decrease in fixed deposits held at banks with original maturity over three months and pledged bank deposit of RMB48.3 million and interest received of RMB2.1 million.

The cash flow used in financing activities for the six months ended 30 June 2017 amounted to approximately RMB130.4 million (30 June 2016: cash inflow of RMB9.4 million), which included interest paid of RMB10.7 million and net bank repayment of RMB119.7 million.

As at 30 June 2017, the Group's total equity increased by approximately RMB74.3 million to approximately RMB1,495.2 million (31 December 2016: RMB1,420.9 million).

Trade Working Capital Ratios

The Group's average inventory turnover days was 36 days for the first half of 2017, as compared to 34 days for the same period last year. The slight increase was mainly due to our further termination of distribution relationships with some distributors who have slow repayment history in the first half of 2017, which some of them had already placed orders in the 2017 spring/summer sales fair.

The Group's average trade and bills receivables turnover days for the first half of 2017 was 108 days, representing a decrease of 34 days from 142 days for the same period last year. The decrease was mainly attributable to lower average trade and bills receivables in the current period. As at 30 June 2017, the Group's total trade and bills receivables decreased by approximately 11.1% year-on-year to RMB412.9 million (30 June 2016: RMB464.5 million).

The Group's average trade payables turnover days was 38 days for the first half of 2017, representing a decrease of 8 days compared to 46 days for the same period last year, which falls within the 30 to 60 days credit period given by our suppliers.

Management Discussion and Analysis

As at 30 June 2017, the Group recorded a net cash position of RMB369.4 million (30 June 2016: RMB344.2 million).

The Group regularly and actively monitors its capital structure to ensure sufficient working capital to operate its business. The Group also thrives to maintain a balanced capital structure to, on the one hand, provide steady returns to its Shareholders and benefits to its other stakeholders, and on the other hand, maintain adequate level of borrowing and security.

Charges of Assets

As at 30 June 2017, secured bank borrowings were secured by bank deposits, certain buildings, investment properties and lease prepayments with carrying value of RMB62,043,000 (31 December 2016: RMB58,200,000), RMB232,020,000 (31 December 2016: RMB238,608,000), RMB24,336,000 (31 December 2016: RMB24,930,000) and RMB263,793,000 (31 December 2016: RMB267,347,000), respectively.

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

In June 2017, an indirect wholly-owned subsidiary of the Company, entered into a Share Transfer Agreement with Mr. Huang Weijin (黃偉進) to acquire 100% of the issued share capital of Chameleon Ventures Limited and its subsidiaries (the "Target Group") for cash consideration of HK$340,000,000 (the "Acquisition"). We expect to fund the Acquisition principally with cash generated from our operations and bank borrowings. The Acquisition was completed on 31 July 2017.

Except for the above Acquisition, during the first half of 2017, there was no other significant investment, material acquisition or disposal of subsidiaries and associated companies by the Company.

Future Plans for Material Investments and Capital Assets

Fordoo commercial center

Our Fordoo commercial center project in Hui'an is under construction. The whole project is principally funded by cash generated from our operations and bank borrowings. The two commercial buildings and underground car park are scheduled to be completed in 2018.

Beijing retail outlets

In June 2017, we entered into a Share Transfer Agreement to acquire 100% of the issued share capital of the Target Group. The Target Group's operating subsidiary, 北京浩垠服飾有限公司 (Beijing Haoyin Clothing Co., Ltd*) ("Haoyin"), engages in menswear retail business in the PRC. Haoyin has been a distributor of our products in Beijing, and it has over 40 retail outlets in Beijing. We believe that the Acquisition would enable the Group to increase the number of its direct retail outlets and strengthen its foothold in Beijing, the capital and a strategic city for the Group in the PRC. The Target Group can also provide the Group with a well-established retail platform with an experienced operation team.

* *For identification purpose only*

Capital Commitments and Contingencies

As at 30 June 2017, the Group had a total capital commitment of RMB153.9 million. Included in the amount was commitment for the associate in Beijing of approximately RMB18.0 million. The remaining were primarily related to the proposed construction of Fordoo commercial centre in Hui'an, Fujian Province. All the capital commitments are expected to be financed by our operations and bank borrowings.

As at 30 June 2017, the Group had no material contingent liabilities.

Management Discussion and Analysis

Foreign Currency Exposure

The functional currency of the Group is Hong Kong dollar and the figures in the Group'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. The Group conducts 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 2,673 employees as at 30 June 2017 (31 December 2016: 2,581). 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 or bonuses and entitlement to participate in the Group's share option scheme.

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). Parts 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 2017, the Group had utilized HK$324.0 million of the Net Proceeds and unutilized Net Proceeds amounts to HK$130.7 million.

The following table sets forth a breakdown of the use of the Net Proceeds as at 30 June 2017:

Use of net proceeds	Available for use HK$ million	Utilized (as at 30 June 2017) HK$ million	Unutilized (as at 30 June 2017) HK$ million
Brand promotion and marketing	122.8	(89.4)	33.4
Research, design and product development	90.9	(26.3)	64.6
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	(12.8)	32.7
Working capital and other general corporate purposes	45.5	(45.5)	–
	454.7	(324.0)	130.7

The unutilized Net Proceeds 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.

Report on Review of Interim Condensed Consolidated Financial Statements

elite partners
CERTIFIED PUBLIC ACCOUNTANTS

Independent 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 Information set out on pages 19 to 40 which comprises the condensed consolidated statement of financial position of China Fordoo Holdings Limited (the "Company") as of 30 June 2017 and the related condensed consolidated statement of profit or loss and other comprehensive income, condensed 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 information 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 information in accordance with International Accounting Standard 34.

Our responsibility is to express a conclusion on these interim condensed consolidated financial statements based on our review 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 information 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 information as at 30 June 2017 is not prepared, in all material respects, in accordance with International Accounting Standard 34, "*Interim financial reporting*".

Elite Partners CPA Limited
Certified Public Accountants
Hong Kong, 28 August 2017

Yip Kai Yin
Practising Certificate Number: P05131

10/F, 8 Observatory Road,
Tsim Sha Tsui, Kowloon
Hong Kong

Condensed Consolidated Statement of Profit or Loss and Other Comprehensive Income

For the six months ended 30 June 2017 — unaudited
(Expressed in Renminbi)

	Notes	Six months ended 30 June 2017 RMB'000	2016 RMB'000
Revenue	4	**599,917**	630,543
Cost of sales		**(383,736)**	(403,273)
Gross profit		**216,181**	227,270
Other income	5	**2,911**	7,346
Selling and distribution expenses		**(29,001)**	(41,767)
Administrative and other operating expenses		**(67,083)**	(90,913)
Profit from operations		**123,008**	101,936
Share loss of an associate		**(2,000)**	–
Finance costs	6(a)	**(10,739)**	(10,542)
Profit before taxation	6	**110,269**	91,394
Income tax	7	**(36,471)**	(29,757)
Profit for the period		**73,798**	61,637
Other comprehensive income for the period			
Item that may be reclassified subsequently to profit or loss:			
Exchange differences on translation of financial statements of subsidiaries outside the mainland of the People's Republic of China (the "PRC")		**3,473**	(4,497)
Total comprehensive income for the period		**77,271**	57,140
Earnings per share (RMB cents)			
Basic	8	**15**	13
Diluted	8	**15**	13

The notes on pages 23 to 40 form part of this interim financial report.

Condensed Consolidated Statement of Financial Position

At 30 June 2017 — unaudited

(Expressed in Renminbi)

	Notes	At 30 June 2017 RMB'000	At 31 December 2016 RMB'000
Non-current assets			
Property, plant and equipment	9	**255,437**	264,929
Construction in progress		**306,710**	255,727
Investment properties		**24,336**	24,930
Lease prepayments		**263,793**	267,347
Intangible assets		**2,811**	2,978
Investment in an associate	10	**–**	–
Deposit for acquisition of intangible assets		**12,917**	9,045
Deferred tax assets	17(a)	**35,939**	29,820
		901,943	854,776
Current assets			
Inventories	11	**95,647**	58,169
Trade and other receivables	12	**473,812**	438,068
Pledged bank deposits	13	**62,043**	58,200
Fixed deposits held at bank with original maturity over three months	14	**–**	52,200
Cash and cash equivalents	14	**821,350**	842,872
		1,452,852	1,449,509
Current liabilities			
Trade, bills and other payables	15	**278,926**	217,782
Bank borrowings	16	**482,607**	606,499
Current tax liabilities		**23,086**	22,624
Amounts due to controlling shareholders		**31,376**	–
		815,995	846,905
Net current assets		**636,857**	602,604
Total assets less current liabilities		**1,538,800**	1,457,380
Non-current liabilities			
Deferred tax liabilities	17(a)	**40,340**	36,440
NET ASSETS		**1,498,460**	1,420,940
CAPITAL AND RESERVES	19		
Share capital		**3,819**	3,819
Reserves		**1,494,641**	1,417,121
TOTAL EQUITY		**1,498,460**	1,420,940

The notes on pages 23 to 40 form part of this interim financial report.

Condensed Consolidated Statement of Changes in Equity

For the six months ended 30 June 2017 — unaudited
(Expressed in Renminbi)

	Notes	Share capital RMB'000 *Note 19(b)*	Share premium RMB'000 *Note 19(c)(i)*	Statutory reserve RMB'000 *Note 19(c)(ii)*	Capital reserve RMB'000 *Note 19(c)(iii)*	Exchange reserve RMB'000 *Note 19(c)(iv)*	Share-based payment reserve RMB'000 *Note 19(c)(v)*	Retained profits RMB'000	Total equity RMB'000
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		–	–	–	–	(4,497)	–	61,637	57,140
Dividends approved in respect of previous year	*19(a)*	–	(88,604)	–	–	–	–	–	(88,604)
Equity-settled share-based payments for employees		–	–	–	–	–	574	–	574
Balance at 30 June 2016		3,811	133,493	93,808	39,023	(14,136)	838	1,101,413	1,358,250
Balance at 1 January 2017		**3,819**	**136,871**	**115,485**	**39,023**	**(24,677)**	**649**	**1,149,770**	**1,420,940**
Changes in equity for the six months ended 30 June 2017:									
Profit for the period		**-**	**-**	**-**	**-**	**-**	**-**	**73,798**	**73,798**
Other comprehensive income for the period		**-**	**-**	**-**	**-**	**3,473**	**-**	**-**	**3,473**
Total comprehensive income		**-**	**-**	**-**	**-**	**3,473**	**-**	**73,798**	**77,271**
Appropriation to statutory reserve		**-**	**-**	**10,960**	**-**	**-**	**-**	**(10,960)**	**-**
Equity-settled share-based payments for employees	*19(c)(v)*	**-**	**-**	**-**	**-**	**-**	**249**	**-**	**249**
Balance at 30 June 2017		**3,819**	**136,871**	**126,445**	**39,023**	**(21,204)**	**898**	**1,212,608**	**1,498,460**

The notes on pages 23 to 40 form part of this interim financial report.

Condensed Consolidated Cash Flow Statement

For the six months ended 30 June 2017 — unaudited
(Expressed in Renminbi)

	Notes	Six months ended 30 June 2017 RMB'000	2016 RMB'000
Operating activities			
Cash generated from operations		**153,686**	287,805
Income tax paid		**(38,228)**	(45,954)
Net cash generated from operating activities		**115,458**	241,851
Investing activities			
Payment for the purchase of property, plant and equipment and intangible assets		**(129)**	(1,741)
Payment for the deposit of intangible assets		**(3,872)**	–
Payments of construction in progress		**(50,983)**	(5,647)
Proceeds from disposal of property, plant and equipment		**–**	197
Decrease in fixed deposits held at bank with original maturity over three months		**52,200**	2,460
Increase in pledged bank deposits		**(3,843)**	–
Interest received		**2,087**	1,004
Capital injection in an associate		**(2,000)**	–
Net cash used in investing activities		**(6,540)**	(3,727)
Financing activities			
Proceeds from bank borrowings		**117,500**	203,604
Repayment of bank borrowings		**(237,201)**	(95,000)
Interest paid		**(10,739)**	(10,596)
Dividends paid		**–**	(88,604)
Net cash (used in)/generated from financing activities		**(130,440)**	9,404
Net (decrease)/increase in cash and cash equivalents		**(21,522)**	247,528
Cash and cash equivalents at 1 January	*14*	**842,872**	514,051
Cash and cash equivalents at 30 June	*14*	**821,350**	761,579

The notes on pages 23 to 40 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 information 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, 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 28 August 2017.

The interim financial information has been prepared in accordance with the same accounting policies adopted in 2016 annual financial statements, except for the accounting policy changes that are expected to be reflected in the 2017 annual financial statements. Details of any changes in accounting policies are set out in note 2.

The preparation of an interim financial information 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 information contains condensed consolidated interim 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 2016 annual consolidated financial statements. The condensed consolidated interim financial statements and notes thereon do not include all of the information required for a full set of consolidated financial statements prepared in accordance with International Financial Reporting Standards ("IFRSs").

The interim financial information is unaudited, but has been reviewed by Elite Partners CPA Limited 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. Elite Partners CPA Limited's independent review report to the board of directors is included on page 18.

2 Changes in accounting policies

Except as described below, the accounting policies and method of computations used in the interim condensed consolidated financial statements for six months ended 30 June 2017 are the same as those followed in the preparation of the Group's consolidated annual financial statements for the year ended 31 December 2016.

In the current interim period, the Group has applied, for the first time, the following amendments to IFRSs issued by the IASB that are relevant for the preparation of the Group's interim condensed consolidated financial statements:

- Amendments to IAS 7, Statement of Cash Flow: Disclosure Initiative
- Amendments to IAS 12, Recognition of Deferred Tax Assets for Unrealised Losses

None of these developments have had a material effect on how the Group's results and financial position for the current or prior periods have been prepared or presented. The Group has not applied any new standard or interpretation that is not yet effective for the current accounting period.

3 Segment information

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

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

The main operation of the Group is manufacturing and wholesaling of menswear in the People's Republic of China (the "PRC").

(a) Segment revenue and results

There are over 90% of the Group's revenue, operating results during the six months ended 30 June 2017 and 2016 were mainly derived from its manufacturing and wholesaling of menswear in PRC. Consequently, no operating segment analysis is presented.

(b) Segment assets and liabilities

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

	Menswear		**Consolidation**	
	At 30 June 2017 (unaudited) RMB'000	At 31 December 2016 (audited) RMB'000	**At 30 June 2017 (unaudited) RMB'000**	At 31 December 2016 (audited) RMB'000
Segment assets	**1,790,020**	1,815,523	**1,790,020**	1,815,523
Unallocated assets *(note)*			**564,775**	488,762
Total assets			**2,354,795**	2,304,285
Segment liabilities	**743,476**	689,196	**743,476**	689,196
Unallocated liabilities *(note)*			**112,859**	194,149
Total liabilities			**856,335**	883,345

Note: Unallocated assets and liabilities mainly represent those relating to a commercial center project located in Hui'an, the PRC, which is under the construction stage.

(Expressed in Renminbi unless otherwise indicated)

3 Segment information (Continued)

(c) Geographical information

The following tables present the Group's geographical information in terms of revenue for the six months ended 30 June 2017 and 2016, and non-current assets as at 30 June 2017 and 31 December 2016.

Revenue from external customers

	Six months ended 30 June	
	2017	2016
	RMB'000	RMB'000
PRC	**522,119**	630,543
Hong Kong	**77,798**	–
	599,917	630,543

The revenue information above is based on the locations of the customers.

Non-current assets

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

4 Revenue

The principal activities of the Group are manufacturing and wholesaling of menswear in the PRC. Revenue represents the sales value of goods sold less discounts and Value Added Tax.

Revenue by product type is as follows:

	Six months ended 30 June	
	2017	2016
	RMB'000	RMB'000
Men's trousers	**329,578**	348,109
Men's tops	**257,201**	265,585
Accessories	**3,060**	3,420
Fabrics	**10,078**	13,429
	599,917	630,543

Notes to the Unaudited Interim Financial Report

(Expressed in Renminbi unless otherwise indicated)

5 Other income

	Six months ended 30 June	
	2017	2016
	RMB'000	RMB'000
Interest income	**2,087**	3,482
Government grants	**5**	270
Others	**819**	3,594
	2,911	7,346

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

6 Profit before taxation

Profit before taxation is arrived at after charging:

	Six months ended 30 June	
	2017	2016
	RMB'000	RMB'000
(a) Finance costs:		
Interest on bank borrowings	**10,739**	10,542
(b) Staff costs:		
Contributions to defined contribution retirement plans	**981**	1,236
Salaries, wages and other benefits	**68,532**	71,991
Equity-settled share-based payment expenses for employees *(note 21(a))*	**249**	574
	69,762	73,801
(c) Other items:		
Amortisation of lease prepayments	**3,554**	3,554
Amortisation of intangible assets	**167**	167
Depreciation of property, plant and equipment	**9,614**	10,021
Depreciation of investment properties	**594**	594
Research and developments expenses *(note (i))*	**8,734**	8,617
Cost of inventories *(note (ii))*	**383,736**	403,273
Allowance for doubtful debts	**94,338**	54,293
Operating lease payment	**404**	418
Reversal of allowance for doubtful debts	**(66,472)**	–

6 Profit before taxation (Continued)

Notes:

(i) Research and development costs include staff costs of employees in the design and product development department of RMB5,125,000 (six months ended 30 June 2016: RMB5,020,000) which are included in the staff costs as disclosed in note 6(b).

(ii) Cost of inventories includes RMB55,737,000 (six months ended 30 June 2016: RMB60,914,000) relating to staff cost, depreciation and amortisation expenses, which amount is also included in the respective total amounts disclosed separately above or in note 6(b) for each of these types of expenses.

7 Income tax in the condensed consolidated statement of profit or loss and other comprehensive income

	Six months ended 30 June	
	2017	2016
	RMB'000	RMB'000
Current tax		
Provision for PRC corporate income tax for the period	**38,690**	40,030
Deferred tax		
Origination and reversal of temporary differences *(note 17)*	**(2,219)**	(10,273)
	36,471	29,757

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 2017 and 2016.

(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)

8 Earnings per share

Basic earnings per share is calculated by dividing the profit for the period attributable to equity holders of the Company by the weighted average number of ordinary shares outstanding during the period.

Diluted earnings per share is calculated by adjusting the weighted average number of ordinary shares outstanding to assume conversion of all dilutive potential ordinary shares. For the six months ended 30 June 2017, the Company had outstanding share options and restricted share units that will potentially dilute the ordinary shares.

The calculation of basic and diluted earnings per share is based on the following:

	Six months ended 30 June	
	2017 (Unaudited)	2016 (Unaudited)
Profit attributable to equity holders of the Company *(RMB'000)*	**73,798**	61,637
Weighted average number of shares for basic earnings per share *('000 shares)*	**480,900**	480,000
Adjustments for share options ('000 shares)	**100**	-
Weighted average number of shares for diluted earnings per share *('000 shares)*	**481,000**	480,000
Earnings per share, basic *(RMB)*	**15 cents**	13 cents
Earnings per share, diluted *(RMB)*	**15 cents**	13 cents

9 Property, plant and equipment

During the six months ended 30 June 2017, the Group acquired items of property, plant and equipment with a cost of RMB129,000 (six months ended 30 June 2016: RMB6,466,000).

Items of property, plant and equipment with a net book value of RMB5,000 (six months ended 30 June 2016: RMB121,000) were disposed of during the six months ended 30 June 2017.

10 Investment in an associate

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

	At 30 June 2017 RMB'000	At 31 December 2016 RMB'000
Cost of investment in an associate	2,000	–
Share of post-acquisition loss and other comprehensive expense	(2,000)	–
	–	–

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

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

	2017 RMB'000
The unrecognised shares of loss of an associate for the period	(3,396)
Cumulative unrecognised share of loss of an associate	(3,396)

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

Notes to the Unaudited Interim Financial Report

(Expressed in Renminbi unless otherwise indicated)

11 Inventories

	At 30 June 2017 RMB'000	At 31 December 2016 RMB'000
Raw materials	**33,157**	21,347
Work in progress	**3,414**	6,687
Finished goods	**59,076**	30,135
	95,647	58,169

12 Trade and other receivables

	At 30 June 2017 RMB'000	At 31 December 2016 RMB'000
Trade receivables	**560,052**	542,752
Less: Provision for doubtful debts	**(147,145)**	(119,279)
Trade receivables, net of allowance for doubtful debts	**412,907**	423,473
Prepayments to suppliers	**41,580**	3,318
Other deposits, prepayments and receivables	**19,325**	11,277
	473,812	438,068

(a) Ageing analysis

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

	At 30 June 2017 RMB'000	At 31 December 2016 RMB'000
Within 3 months	**316,939**	323,620
More than 3 months but within 6 months	**95,968**	99,853
	412,907	423,473

Trade receivables are normally due for settlement within 90–180 days (31 December 2016: 90–180 days) from the invoice date.

12 Trade and other receivables (Continued)

(b) Impairment of trade receivables

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

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

	At 30 June 2017 RMB'000	At 31 December 2016 RMB'000
At 1 January	119,279	54,481
Reversal of allowance for doubtful debts recognised in prior years	(66,472)	(41,157)
Impairment loss recognised	94,338	105,955
At 30 June/31 December	147,145	119,279

As at 30 June 2017, the Group's trade receivables with net of allowance for doubtful debts of RMB94,338,000 (31 December 2016: RMB105,955,000) were individually determined to be impaired. These individually impaired receivables related to customers that were in financial difficulties and hence the management fully impaired the trade receivables during the period. Reversal of allowance for doubtful debts recognised in prior years were fully received by cash during the period.

13 Pledged bank deposits

As at 30 June 2017, bank deposits have been pledged as security for bank borrowings, which were repayable within 1 year (see note 16(a)). The pledged bank deposits will be released upon the settlement of relevant bank borrowings.

14 Cash and cash equivalents and fixed deposits held at banks comprise:

	At 30 June 2017 RMB'000	At 31 December 2016 RMB'000
Fixed deposit held at bank with original maturity within three months	–	6,000
Cash at bank and in hand	821,350	836,872
Cash and cash equivalents in the condensed consolidated statements of financial position and condensed consolidated cash flow statement	821,350	842,872
Fixed deposits held at bank with original maturity over three months	–	52,200
	821,350	895,072

15 Trade, bills and other payables

	At 30 June 2017 RMB'000	At 31 December 2016 RMB'000
Trade payables	**87,748**	73,235
Bills payables	**64,810**	32,000
Accruals	**67,822**	73,137
Receipts in advance	**21,214**	3,420
Other payables	**37,332**	35,990
	278,926	217,782

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

	At 30 June 2017 RMB'000	At 31 December 2016 RMB'000
Within 1 month	**44,206**	42,776
After than 1 month but within 3 months	**108,352**	62,459
	152,558	105,235

16 Bank borrowings

(a) As at 30 June 2017, the bank borrowings were repayable as follow:

	At 30 June 2017 RMB'000	At 31 December 2016 RMB'000
Within 1 year or on demand	**482,607**	606,499

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(Expressed in Renminbi unless otherwise indicated)

16 Bank borrowings (Continued)

(b) The bank borrowings were secured as follows:

	At 30 June 2017 RMB'000	At 31 December 2016 RMB'000
Bank borrowings		
— Secured	**438,607**	506,182
— Unsecured	**44,000**	100,317
	482,607	606,499

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

	At 30 June 2017 RMB'000	At 31 December 2016 RMB'000
Property, plant and equipment	**232,020**	238,608
Investment properties	**24,336**	24,930
Lease prepayments	**263,793**	267,347
Pledge bank deposits	**62,043**	58,200
	582,192	589,085

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

	At 30 June 2016 RMB'000	At 31 December 2017 RMB'000
Facility amount	**869,857**	759,857
Utilised facilities amount in respect of bank borrowings	**482,607**	606,499

17 Income tax in the condensed consolidated statement of financial position

(a) Deferred tax assets and liabilities recognised:

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

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

Deferred tax arising from:	**Withholding tax on dividends**	**Impairment on trade receivable**	**Total**
	RMB'000	RMB'000	RMB'000
At 1 January 2016	(29,440)	13,620	(15,820)
(Charged)/credited to condensed 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)
At 1 January 2017	**(36,440)**	**29,820**	**(6,620)**
(Charged)/credited to condensed consolidated statement of profit or loss and other comprehensive income	**(3,900)**	**6,119**	**2,219**
At 30 June 2017	**(40,340)**	**35,939**	**(4,401)**

(ii) Reconciliation to the condensed consolidated statement of financial position

	At 30 June 2017	At 31 December 2016
	RMB'000	RMB'000
Deferred tax assets recognised in the condensed consolidated statement of financial position	**35,939**	29,820
Deferred tax liabilities recognised in the condensed consolidated statement of financial position	**(40,340)**	(36,440)

(Expressed in Renminbi unless otherwise indicated)

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

(b) Deferred tax assets not recognised

At 30 June 2017, certain subsidiaries of the Group have not recognised deferred tax assets in respect of cumulative tax losses carried forward of RMB54,502,000 (31 December 2016: RMB41,269,000), of which RMB28,361,000 (31 December 2016: RMB19,413,000) will expire within 5 years under the current tax legislation. The cumulative tax losses have not been recognised as it is not probable that future taxable profits against which the losses can be utilised will be available in the relevant tax jurisdiction and entities.

(c) Deferred tax liabilities not recognised

Pursuant to the PRC Corporate Income Tax Law and its related regulations, the Group is subject to withholding tax at 10% (unless reduced by tax treaties/arrangements) on dividends receivable from its PRC subsidiaries in respect of their profits generated since 1 January 2008. As at 30 June 2017, deferred tax liabilities relating to the undistributed profits of the Company's PRC subsidiaries of RMB926,579,000 (31 December 2016: RMB882,140,000) 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.

18 Equity-settled share-based payments for employees

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

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

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

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(Expressed in Renminbi unless otherwise indicated)

18 Equity-settled share-based payments for employees (Continued)

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

	At 30 June 2017		At 31 December 2016	
	Weighted average Exercise price	Number of options	Weighted average exercise price	Number of options
Outstanding at 1 January	HK$3.56	2,100,000	HK$3.56	3,300,000
Granted during the period/year	–	–	–	–
Lapsed during the period/year	–	–	HK$3.56	(300,000)
Exercised during the period/year	–	–	HK$3.56	(900,000)
Outstanding at 30 June/31 December	HK$3.56	2,100,000	HK$3.56	2,100,000
Exercisable at 30 June/31 December	HK$3.56	100,000	HK$ 3.56	100,000

During the six months ended 30 June 2017, Nil (31 December 2016: Nil) share options were granted and 100,000 (31 December 2016: 100,000) of share options became exercisable as at 30 June 2017.

The shares options outstanding as at 30 June 2017 had an exercise price of HK$3.56 and a weighted average remaining contractual life of 3.3 years (31 December 2016: 3.8 years).

19 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	
	2017 RMB'000	2016 RMB'000
No final dividend in respect of the previous financial year, approved and paid during the period, (2015: HK22 cents, equivalent to approximately RMB18 cents per ordinary shares)	–	88,604

19 Capital, reserves and dividends (Continued)

(b) Share capital

Authorised and issued share capital

	At 30 June 2017 Number of shares	At 30 June 2017 Amount HK$'000	At 31 December 2016 Number of shares	At 31 December 2016 Amount HK$'000
Authorised:				
At 1 January/30 June/ 31 December	**1,000,000,000**	**10,000**	1,000,000,000	10,000

	Number of shares	Amount HK$'000	Amount RMB'000	Number of shares	Amount HK$'000	Amount RMB'000
Issued and fully paid:						
At 1 January	**480,900,000**	**4,809**	**3,819**	480,000,000	4,800	3,811
Issue of shares under share option scheme	**–**	**–**	**–**	900,000	9	8
At 30 June/31 December	**480,900,000**	**4,809**	**3,819**	480,900,000	4,809	3,819

(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.

19 Capital, reserves and dividends (Continued)

(iii) Capital reserve

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

(iv) Exchange reserve

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

(v) Share-based payment reserve

Share-based payment reserve comprises the following:

— The fair value of services provided by parties other than employees to the Group in connection with the listing of the Company and the services were settled by equity instrument of the Company. The relevant services are recognised in accordance with IFRS 2, *Share-based payment*. Share-based payment was vested pursuant to the listing of the Company on 16 July 2014. RMB Nil (31 December 2016: RMB518,000) has been transferred from the share-based reserve to the share premium account during the six months ended 30 June 2017.

— The portion of the grant date fair value of share options granted to employees of the Group that has been recognised in accordance with the accounting policy adopted for the share-based payments.

20 Commitments

(a) Capital commitments

Capital commitments of the Group in respect of construction in progress outstanding at 30 June 2017 that were not provided for in the interim financial information were as follows:

	At 30 June 2017 RMB'000	At 31 December 2016 RMB'000
Contracted for	**153,861**	186,711

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20 Commitments (Continued)

(b) Operating leases

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

	At 30 June 2017 RMB'000	At 31 December 2016 RMB'000
Within 1 year	**467**	692
After 1 year but within 2 years	**–**	115
	467	807

None of the leases includes contingent rentals.

21 Material related party transactions

In addition to the related party information disclosed elsewhere in the financial statements, the Group entered into the following material related party transactions.

(a) Key management personnel compensation

Remuneration for key management personnel of the Group for the period, including amounts paid to the Company's directors, is as follows:

	Six months ended 30 June 2017 RMB'000	2016 RMB'000
Short-term employee benefits	**2,855**	3,742
Contributions to retirement benefit scheme	**34**	31
Equity-settled share-based payment expenses for employees	**249**	574
	3,138	4,347

The total remuneration is included in "staff costs" (see note 6(b)).

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21 Material related party transactions (Continued)

(b) Balances with related parties

The Group had the following significant balances with its related parties as at 30 June 2017:

Due to controlling shareholders

	At 30 June 2017 RMB'000	At 31 December 2016 RMB'000
Non-trade related		
Mr. Kwok Kin Sun *(Note)*	**876**	–
Mr. Kwok Hon Fung *(Note)*	**30,500**	–

Balances with shareholders were unsecured and non-interest-bearing and had no fixed repayment terms.

Note:

Mr. Kwok Kin Sun and Mr. Kwok Hon Fong are collectively the directors of the Company and the shareholders of the Group.

22 Event after the reporting period

On 14 June 2017, a wholly owned subsidiary of the Company, entered into an agreement to acquire 100% of the issued share capital of the Chameleon Ventures Limited and its subsidiary (the "Target Group") for a total cash consideration of HK$340,000,000. The Target Group's operating subsidiary, 北京浩垠服飾有限公司 (Beijing Haoyin Clothing Co., Ltd*) ("Haoyin"), engages in menswear retail business in the PRC. Haoyin has been a distributor of the products in Beijing, and it has over 40 retail outlets in Beijing, PRC. The directors believe that the acquisition would enable the Group to increase the number of its direct retail outlets and strengthen its foothold in Beijing, the capital and a strategic city for the Company in the PRC. The Target Group can also provide a well-established retail platform with an experienced operation team to the Group. The acquisition was completed on 31 July 2017.

* *For identification purpose only*

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 2017, 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 the Shares, underlying shares and debentures and associated corporations:

Name	Nature of interest	Number of issued ordinary Shares held	Number of underlying Shares under the share options held [(3)]	Total	Approximate percentage of shareholding
Mr. Kwok Kin Sun[(1)]	Interest in a controlled corporation	244,800,000	–	244,800,000	50.90%
Mr. Kwok Hon Fung[(2)]	Interest in a controlled corporation	50,400,000	–	50,400,000	10.48%
Ms. Yuan Mei Rong	Beneficial owner		400,000	400,000	0.0832%
Mr. Cheung Chiu Tung	Beneficial owner		300,000	300,000	0.0624%
Mr. Zhang Longgen	Beneficial owner		200,000	200,000	0.0416%

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.

Save as disclosed above, as at 30 June 2017, 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 "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 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 2017, 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	Nature of interest	Number of Shares	Approximate percentage of shareholding
Zhongtai Securities Company Limited	Long	Security interest in Shares	290,412,000	60.39%
Ms. Wong Tung Yam(1)	Long	Interest of spouse	244,800,000	50.90%
Everkept	Long	Beneficial owner	244,800,000	50.90%
Equal Plus	Long	Beneficial owner	50,400,000	10.48%
Mr. Kwok Hon Pan(2)	Long	Interest in a controlled corporation	45,612,000	9.49%
Key Tide	Long	Beneficial owner	45,612,000	9.49%

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 2017, 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 kept 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 2017.

Review of Interim Results

The Company has an audit committee (the "Audit Committee") which comprises three independent non-executive Directors, namely Mr. Poon Yick Pang Philip (Chairman of the Audit Committee), Mr. Cheung Chiu Tung and Mr. Zhang Longgen. 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 2017.

Other Information

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. On 7 October 2015, the Company granted options to subscribe for an aggregate of 3,300,000 ordinary Shares of HK$0.01 each in the share capital of the Company to Eligible Persons of the Group under the Share Option Scheme at an exercise price of HK$3.56 per Share. Details of the Share Option Scheme was set out in the 2016 Annual Report of the Company.

Details of movements of the share options during the six months ended 30 June 2017 are set out below:

				Number of Share Options					
Category	Date of grant	Exercise price (HK$)	Exercisable period	As at 1 January 2017	Granted	Exercised	Cancelled	Lapsed	As at 30 June 2017
Directors									
Yuan Mei Rong	7 October 2015	3.56	7 October 2016 to 6 October 2021	–	–	–	–	–	–
	7 October 2015	3.56	7 October 2017 to 6 October 2022	200,000	–	–	–	–	200,000
	7 October 2015	3.56	7 October 2018 to 6 October 2023	200,000	–	–	–	–	200,000
Zhang Longgen	7 October 2015	3.56	7 October 2016 to 6 October 2021	–	–	–	–	–	–
	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
Employee									
In aggregate	7 October 2015	3.56	7 October 2016 to 6 October 2021	–	–	–	–	–	–
	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
Total				2,100,000	–	–	–	–	2,100,000

The total number of Shares available for issue under the Share Option Scheme is 100,000, representing 0.02% of the Company's issued share capital as at the date of this report.

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 2017.

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 2017, except for a deviation from Code provision A.6.7.

Other Information

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. Cheung Chiu Tung and Mr. Zhang Longgen, both independent non-executive Directors, were not able to attend the 2017 Annual General Meeting held on 31 May 2017.

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

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

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

Updates on Compliance and Regulatory Matters as Disclosed in the Prospectus

As disclosed in the prospectus of the Company dated 30 June 2014, the Company has agreed with Human Resources and Social Welfare Bureau of Fengze District, Quanzhou (the "Bureau") on a five-year social insurance fund contribution scheme (the "Five-year Scheme"). According to the Five-year Scheme, the Company expects to make future social insurance fund contributions for all of its eligible employees gradually in accordance with the relevant PRC laws and regulations in the five years from 2014 to 2018. The Bureau has also agreed not to impose any fine on the Company if the Company can fully make the social contributions in accordance with the Five-year Scheme. 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 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 2017 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
28 August 2017