CHINA FORDOO HOLDINGS LIMITED

中國虎都控股有限公司

(incorporated in the Cayman Islands with limited liability)

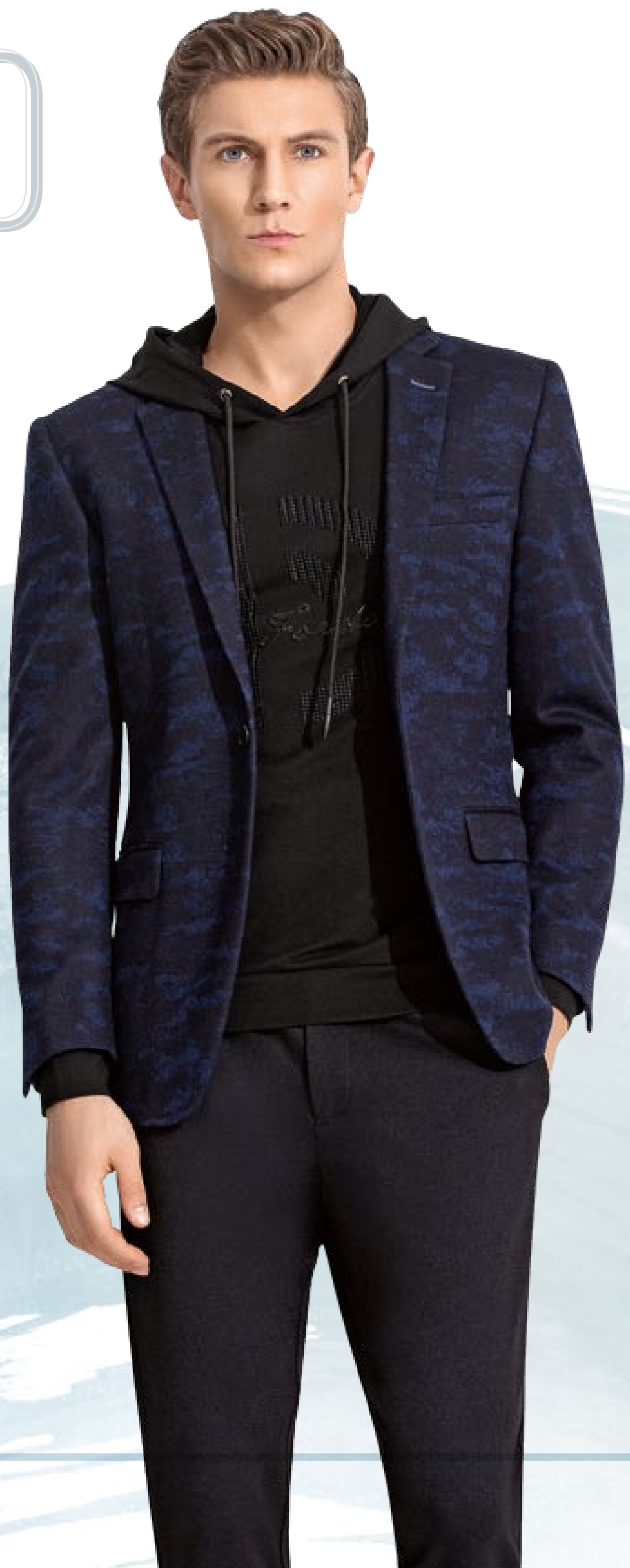
Stock Code: 2399

2018

INTERIM REPORT

ABOUT
CHINA FORDOO

China Fordoo Holdings Limited ("FORDOO") is a leading menswear company in China, which is principally engaged in manufacturing and wholesaling of menswear.



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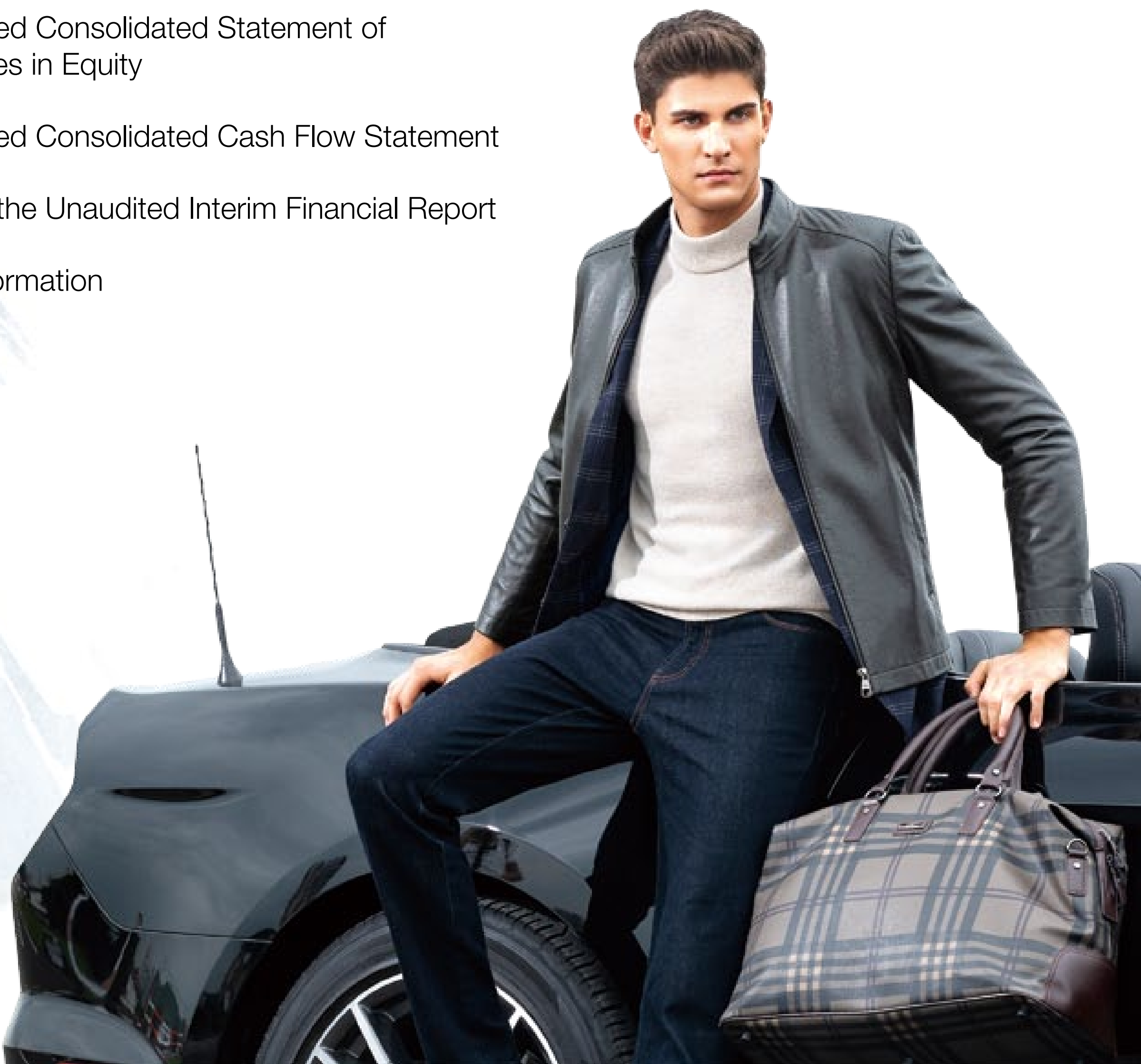

Corporate Information

Board of Directors and Committees

Executive Directors

Mr. Kwok Kin Sun *(Chairman)*
Mr. Kwok Hon Fung
Ms. Yuan Mei Rong
Ms. Mo Wei (appointed on 1 March 2018)

Independent Non-executive Directors

Mr. Cheung Chiu Tung
Mr. Poon Yick Pang Philip
Mr. Shen Li (resigned on 1 February 2018)
Ms. Huang Yumin (appointed on 1 February 2018)

Audit Committee

Mr. Poon Yick Pang Philip *(Chairman)*
Mr. Cheung Chiu Tung
Mr. Shen Li (resigned on 1 February 2018)
Ms. Huang Yumin (appointed on 1 February 2018)

Remuneration Committee

Mr. Cheung Chiu Tung *(Chairman)*
Mr. Poon Yick Pang Philip
Mr. Shen Li (resigned on 1 February 2018)
Ms. Huang Yumin (appointed on 1 February 2018)

Nomination Committee

Mr. Kwok Kin Sun *(Chairman)*
Mr. Poon Yick Pang Philip
Mr. Shen Li (resigned on 1 February 2018)
Ms. Huang Yumin (appointed on 1 February 2018)

Company Secretary

Mr. Lai Tsz Yin

Authorized Representatives

Mr. Kwok Kin Sun (resigned on 1 February 2018)
Mr. Lai Tsz Yin (appointed on 1 February 2018)
Mr. Kwok Hon Fung

Auditor

Elite Partners CPA Limited, *Certified Public Accountants*

Legal Adviser As To Hong Kong Law

Li & Partners

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

Office 812, Unit 1908, 19/F,
9 Queen's Road Central,
Central, 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
2103B, 21/F., 148 Electric Road,
North Point, Hong Kong

Principal Bankers

China CITIC Bank Corporation Limited
China Construction Bank Corporation

IR Contact

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Office 812, Unit 1908, 19/F,
9 Queen's Road Central,
Central, Hong Kong
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E-mail: ir@fordoo.cn

Company Website

www.fordoo.cn

Financial Highlights

- Revenue of the Group decreased by 47.6% to RMB314.1 million (2017: RMB599.9 million).
- Gross profit of the Group decreased by 51.5% to RMB104.8 million (2017: RMB216.2 million).
- EBITDA of the Group decreased by 68.8% to RMB42.1 million (2017: RMB134.9 million).
- Net loss of the Group was RMB7.1 million (2017: net profit of RMB73.8 million).
- Basic and diluted loss per share was RMB1.47 cents (2017: basic and diluted earnings per share of RMB15 cents).

	For the six months ended		
	30 June 2018	30 June 2017	Change
Profitability ratios			
Gross profit margin	**33.4%**	36.0%	–2.6 ppt
EBITDA margin	**13.4%**	22.5%	–9.1 ppt
Net (loss)/profit margin	**–2.3%**	12.3%	–14.6 ppt
Return on equity (1)	**–0.5%**	9.8%	–10.3 ppt

	As at 30 June 2018	As at 30 June 2017
Liquidity ratios		
Inventory turnover (Days) (2)	**46**	36
Trade receivables turnover (Days) (3)	**111**	108
Trade payables turnover (Days) (4)	**28**	38

	As at 30 June 2018	As at 30 December 2017	
Capital ratios			
Interest coverage ratios (5)	**1**	3	
Net Debt to equity ratio (6)	**Net Cash**	Net Cash	
Gearing ratio (7)	**33.0%**	33.1%	–0.1 ppt

Notes:

(1) Net (loss)/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 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 2018 and 31 December 2017, 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 2018, the gross domestic product of China increased 6.8% year on year with its national economy maintaining a steady and upward development trend in general. However, the operating environment of the retail sector, in particular the menswear industry, remained tough and sluggish in the first half of 2018. The menswear industry is facing intense competition. Challenged by the vast development of e-commerce in China, more customers have switched their shopping habit from traditional retail stores to online shopping. Given the intense competition in the retail market and weak consumer sentiment, we continued to consolidate our distribution network by closing some of our underperforming retail outlets in order to improve operating efficiency. Furthermore, we strengthened our control over our distributors and sub-distributors while further enhancing our design and product development capabilities. In addition, the Group continued to optimize retail platforms, strengthened our brand building strategy, organised marketing activities to enhance customer loyalty and consolidated self-operated retail network.

Financial Review

For the six months ended 30 June 2018, the Group turned to a loss of approximately RMB7.1 million as compared to net profit of RMB73.8 million for the corresponding period last year. The significant decline was mainly attributable to the effect of a significant decline in Group's revenue and gross profit due to 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 had slow repayment history. As of 30 June 2018, the Group had 889 retail outlets (including 2 self-operated retail stores in Quanzhou and 38 self-operated retail outlets in Beijing), representing a net decrease of 182 retail outlets from 1,071 retail outlets as at 31 December 2017.

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 2018 and 2017 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 2018 RMB million	At 31 December 2017 RMB million	**At 30 June 2018 RMB million**	At 31 December 2017 RMB million
Segment assets	**1,469.7**	1,564.5	**1,469.7**	1,564.5
Unallocated assets *(note)*			**754.8**	715.1
Total assets			**2,224.5**	2,279.6
Segment liabilities	**747.1**	695.9	**747.1**	695.9
Unallocated liabilities *(note)*			**33.7**	131.5
Total liabilities			**780.8**	827.4

Notes: 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 2018.

(c) Geographical information

The following tables present the Group's geographical information in terms of revenue for the six months ended 30 June 2018 and 2017, and non-current assets as at 30 June 2018 and 31 December 2017.

Revenue from external customers

	For the six months ended	
	30 June 2018 RMB million	30 June 2017 RMB million
China	**201.4**	522.1
Hong Kong	**112.7**	77.8
	314.1	599.9

The revenue information above is based on the locations of the Group's customer.

Non-current assets

The principal place of the Group's operations 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

Revenue decreased by approximately 47.6% from RMB599.9 million in the first half of 2017 to RMB314.1 million in the first half of 2018. The decrease in revenue was primarily due to the Group's continuing 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 had slow repayment history.

Revenue by Product Type

	For the six months ended				
	30 June 2018		30 June 2017		**Change**
	RMB million	**% of revenue**	RMB million	% of revenue	%
Apparel					
Men's trousers	**175.7**	**56.0%**	329.5	54.9%	–46.7%
Men's tops	**138.0**	**43.9%**	257.2	42.9%	–46.3%
Accessories	**0.4**	**0.1%**	3.1	0.5%	–87.1%
Fabrics	**–**	**–**	10.1	1.7%	–100.0%
Total	**314.1**	**100.0%**	599.9	100.0%	–47.6%

Trousers remained the major turnover contributor of the Group and accounted for 56.0% of the total revenue during the first half of 2018 (the first half of 2017: 54.0%).

Revenue by Product Style

	For the six months ended				
	30 June 2018		30 June 2017		**Change**
	RMB million	**% of revenue**	RMB million	% of revenue	%
Apparel					
Business Casual	**119.0**	**37.9%**	315.8	52.6%	–62.3%
Business Formal	**33.8**	**10.8%**	100.1	16.7%	–66.2%
Casual	**160.9**	**51.2%**	170.8	28.5%	–5.8%
Accessories	**0.4**	**0.1%**	3.1	0.5%	–87.1%
Fabrics	**–**	**–**	10.1	1.7%	–100.0%
Total	**314.1**	**100.0%**	599.9	100.0%	–47.6%

Casual series became our largest revenue contributor and accounted for 51.2% of the total revenue for the first half of 2018 (the first half of 2017: business casual series with 52.6% of the total revenue).

Management Discussion and Analysis

Revenue by Region

	For the six months ended				
	30 June 2018		30 June 2017		**Change**
Region	**RMB million**	**% of revenue**	RMB million	% of revenue	%
Northern China [(1)]	**8.6**	**2.7%**	89.4	14.9%	–90.4%
Northeastern China [(2)]	**0.9**	**0.3%**	23.3	3.9%	–96.1%
Eastern China [(3)]	**107.8**	**34.3%**	208.4	34.7%	–48.3%
Central Southern China [(4)]	**3.4**	**1.1%**	81.9	13.7%	–95.8%
Southwestern China [(5)]	**6.7**	**2.1%**	45.6	7.6%	–85.3%
Northwestern China [(6)]	**6.5**	**2.1%**	54.2	9.0%	–88.0%
Hong Kong	**112.7**	**35.9%**	77.8	13.0%	44.9%
Subtotal	**246.6**	**78.5%**	580.6	96.8%	–57.5%
Online distributor	**–**	**–**	5.8	1.0%	–100.0%
Self-operated retail outlets	**67.5**	**21.5%**	3.4	0.5%	1,885.3%
Subtotal	**314.1**	**100.0%**	589.8	98.3%	–46.7%
Fabrics	**–**	**–**	10.1	1.7%	–100.0%
Total	**314.1**	**100.0%**	599.9	100.0%	–47.6%

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.

Hong Kong, Eastern China and self-operated retail outlets became the major revenue contributors (the first half of 2017: Eastern China, Northern China and Central Southern China), and together accounted for 91.7% (the first half of 2017: 63.3%) of the total revenue during the first half of 2018.

Management Discussion and Analysis

The following map shows the geographical distribution of the retail outlets of the Group in China as of 30 June 2018.

Management Discussion and Analysis

Cost of Sales

Cost of sales decreased by approximately 45.5% from RMB383.7 million in the first half of 2017 to RMB209.3 million in the first half of 2018. The decrease was in line with the decrease in revenue during the first half of 2018.

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 2018, self-production accounted for approximately 57.9% (the first half of 2017: 64.9%) of the total cost of sales, decreased by 7.0 percentage points. 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.

Gross Profit and Gross Profit Margin

Gross profit decreased by approximately 51.5% from RMB216.2 million in the first half of 2017 to RMB104.8 million in the first half of 2018. Gross profit margin decreased 2.6 percentage points from 36.0% in the first half of 2017 to 33.4% in the first half of 2018.

Other Income and Other Gains or Losses

Other income and other gains or losses increased by approximately RMB2.5 million from RMB1.6 million in the first half of 2017 to RMB4.1 million in the first half of 2018. The increase was mainly due to a net foreign exchange gain of RMB2.9 million (the first half of 2017: exchange loss of RMB1.3 million) which was mainly due to the exchange of US dollar to RMB, offset by a decrease in interest income of approximately RMB2.0 million, which was mainly due to the decrease of fixed deposits held at bank with original maturity over three months.

Selling and Distribution Expenses

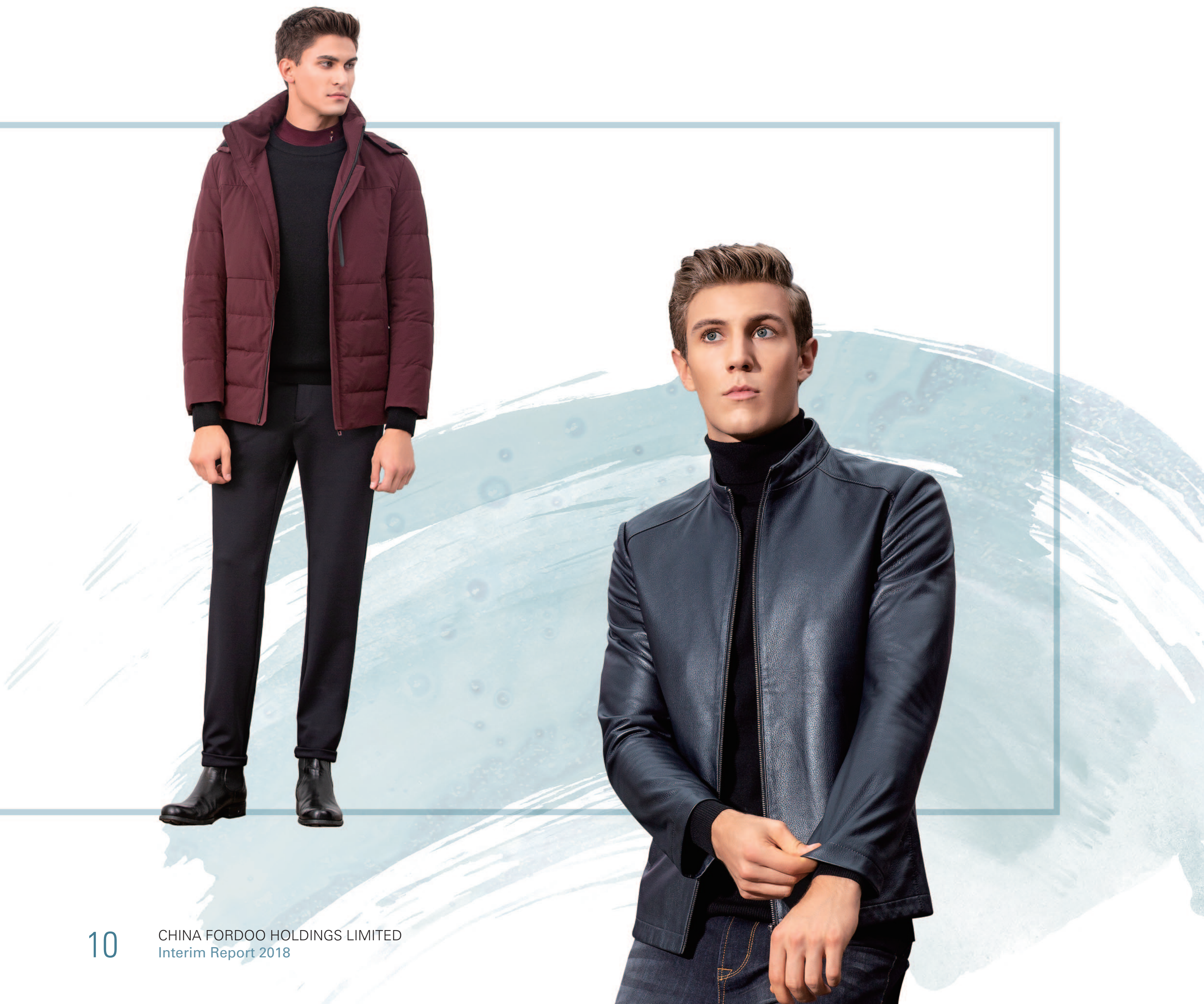
Selling and distribution expenses decreased by approximately RMB3.1 million from RMB29.0 million in the first half of 2017 to RMB25.9 million in the first half of 2018, accounting for approximately 8.2% of total revenue, representing a year-on-year increase of 3.4 percentage points. The decrease in selling and distribution expenses 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

Included in the amount were advertising and promotional expenses of approximately RMB5.7 million in total, which accounted for approximately 1.8% of the total revenue, increase 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

Administrative and other operating expenses increased by approximately RMB10.1 million from RMB65.8 million in the first half of 2017 to RMB75.9 million in the first half of 2018, accounting for approximately 24.2% of total revenue, representing a year-on-year increase of 13.2 percentage points. The increase was mainly attributable to the increase in amortization of intangible assets and other general operating expenses, offset by the reversal of provision of bad and doubtful debts. As a result of the prudent account receivable provision policy adopted before, after terminating distribution relationships with some distributors who had slow repayment history in the previous year, we are glad to see that the account receivables have improved and provision for bad and doubtful debts has became reversed.



Finance Costs

Finance costs increased by 15.9% from RMB10.7 million in the first half of 2017 to approximately RMB12.4 million in the first half of 2018, mainly due to higher average interest rate in the first half of 2018.

Income Tax

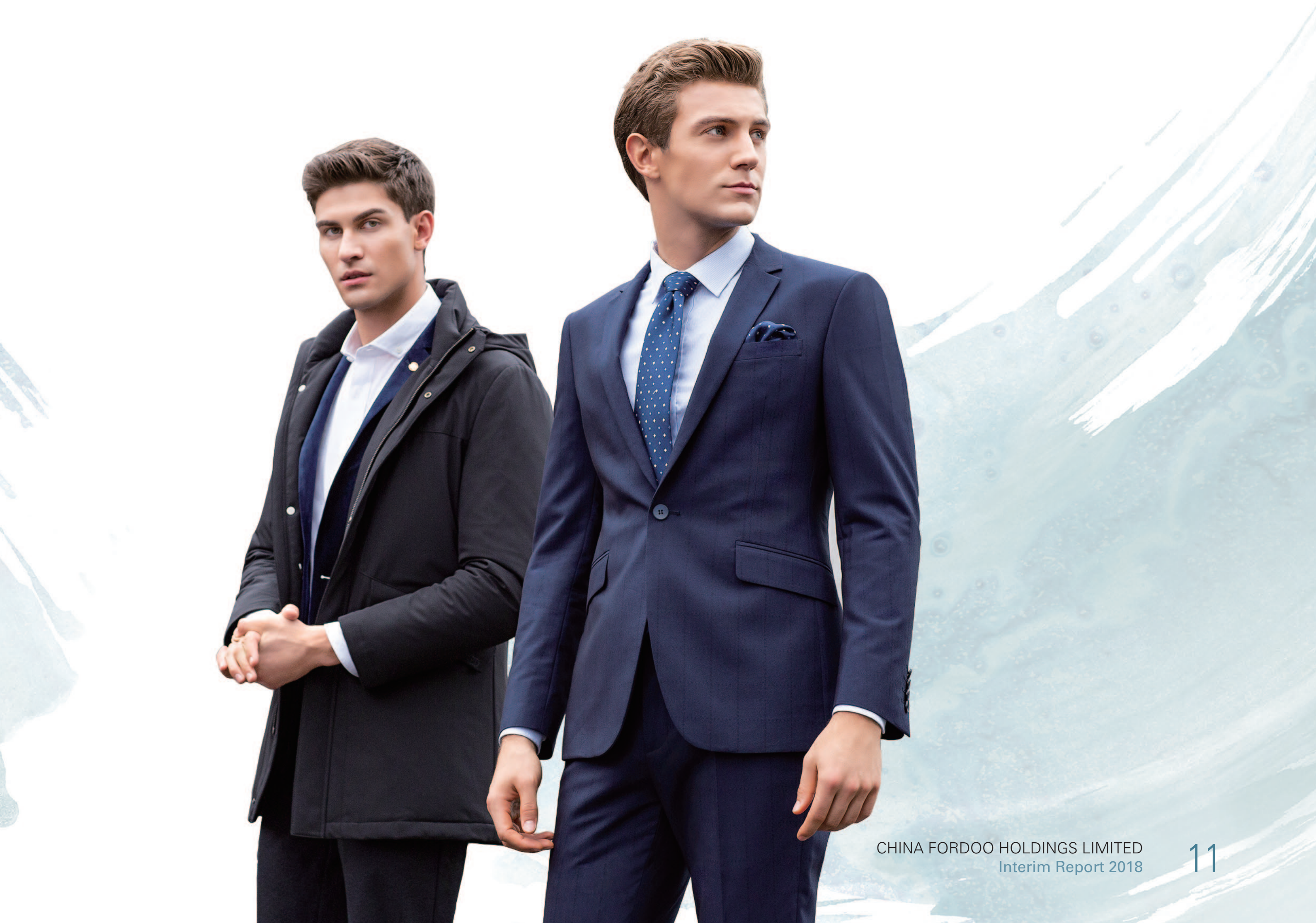
Income tax decreased by 95.3% from RMB36.5 million in the first half of 2017 to RMB1.7 million in the first half of 2018. The decrease in income tax was mainly due to the decrease of profit before taxation.

Loss Attributable to Shareholders of the Company

For the first half of 2018, loss attributable to the shareholders of the Company (the "**Shareholders**") was approximately RMB7.1 million (the first half of 2017: profit of RMB73.8 million).

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 2018 (30 June 2017: Nil).



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 2018:

	Number of stores			
Region	**As of 1 January 2018**	**Stores opened during the period**	**Stores closed during the period**	**As of 30 June 2018**
Northern China	170	2	(26)	**146**
Northeastern China	64	7	(16)	**55**
Eastern China	340	–	(31)	**309**
Central Southern China	159	4	(79)	**84**
Southwestern China	112	2	(36)	**78**
Northwestern China	181	9	(13)	**177**
Subtotal	1,026	24	(201)	**849**
Self-operated retail outlets	45	2	(7)	**40**
Total	1,071	26	(208)	**889**

As of 30 June 2018, we had a nationwide retail network of 889 retail outlets (including 2 self-operated retail stores in Quanzhou, Fujian Province and 38 self-operated retail outlets in Beijing) across over 250 cities and 29 provinces, autonomous regions and central government-administered municipalities in the PRC. There was a net decrease of 182 retail stores from 1,071 as at 31 December 2017, as we continued our consolidation strategy on the retail outlet network during the first half of 2018 and closed down inefficient retail stores.

As of 30 June 2018, 79.5% of the retail outlets were located in department stores or shopping malls whereas 20.5% of the retail outlets were standalone stores.

Management Discussion and Analysis

Distribution Channel Management

As of 30 June 2018, the Group's distribution network comprised 58 distributors (31 December 2017: 65 distributors) and 136 sub-distributors (31 December 2017: 149). Among the 58 distributors, 11 had business relationships with us for more than eight years. We believe these strong, stable and long-standing relationships with our distributors were essential to our brand building efforts and strong operating track record. 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.

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 2018, the Group invested moderately in advertising and promotion to heighten its brand awareness, including organising presentation events for new products and engaging in online advertisement through internet, e.g. www.163.com, 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 26 new stores and renovated 14 existing stores during the first half of 2018. 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 2018, our product design and development team consisted of 83 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

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 in line with the relevant distributor's capacity and development plans. The sales fairs for 2018 autumn/winter collections was held in March 2018, and the sales fairs for 2019 spring/summer collections will be held in August 2018.

PROSPECTS

The global economy continues to be volatile with some serious discussions are going on in China as the country faces an escalating trade war with the United States, slowing domestic growth and increasing investment restrictions in the US and Europe. Even though the Group may not be directly affected by the escalating trade war because our market is primarily domestic. However, facing the emerging uncertainties on policy risk, tariff and interest rates, the Group will endeavor to implement consistent strategies, which include taking active measures to review the refined consumer groups and market demands, add in new and high-quality elements and implement innovative concepts to fulfill customer's personality and diversified needs.

Apart from menswear business, the Group has started exploring opportunity to expand and diversify our business and activities in year 2018, including but not limited to food related businesses, with a view to create new sources of income and to maximize the return to the Company and shareholders of the Company in the long run. The Group will continue to explore other possible investment opportunities with a view to enhance its value to shareholders of the Company.

Liquidity and Financial Resources

As at 30 June 2018, the Group had total bank borrowings of approximately RMB443.8 million (31 December 2017: RMB483.0 million). The net cash position as at 30 June 2018 with comparative figures as at 31 December 2017 is as follows:

	As at 30 June 2018 RMB million	As at 31 December 2017 RMB million
Cash and bank balances (including pledged bank deposits)	**594.1**	577.7
Less: Total borrowings	**(443.8)**	(483.0)
Less: Amount due to Mr. Kwok Kin Sun & Mr. Kwok Hon Fung *(Note)*	**(0.4)**	–
Less: Corporate bonds	**(32.2)**	–
Net Cash	**117.7**	94.7

Note: 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 were unsecured, interest-free and had no fixed repayment terms, and are expected to be repaid in the second half of 2018.

The maturity profile of the total borrowings as at 30 June 2018 is as follows (with comparative figures as at 31 December 2017):

	As at 30 June 2018		As at 31 December 2017	
	RMB million	**%**	RMB million	%
Bank borrowings				
— Within 1 year	**443.8**	**100%**	483.0	100.0%
— After 1 but within 2 years	**–**	**–**	–	–
Total	**443.8**	**100%**	483.0	100.0%

Management Discussion and Analysis

As at 30 June 2018, the bank borrowings were secured as follows (with comparative figures as at 31 December 2017):

	As at 30 June 2018 RMB million	As at 31 December 2017 RMB million
Bank borrowings		
— Secured	**399.8**	439.0
— Unsecured	**44.0**	44.0
Total	**443.8**	483.0

As at 30 June 2018, all the Group's bank borrowings were denominated in RMB (31 December 2017: in both RMB and HK$) and bear interest at fixed rate (31 December 2017: RMB393.8 million fixed rate and RMB89.2 million variable rate), with interest rate ranging from 4.35% to 5.66% (31 December 2017: 2.60% to 5.66%) per annum.

As at 30 June 2018, the Group had a net cash balance of RMB117.7 million (31 December 2017: RMB94.7 million). The gearing ratio as at 30 June 2018 was 33.0%, a decrease of 0.1 percentage point as compared to 33.1% as at 31 December 2017. It was mainly due to the decrease of bank borrowings. The interest cover of the first half of 2018 was 1 time (31 December 2017: 3 times).

Cash inflow from operating activities for the six months ended 30 June 2018 amounted to approximately RMB52.3 million (30 June 2017: RMB115.5 million). The decrease was mainly due to a decrease in operating profit before changes in working capital of approximately RMB116.6 million, offset by an increase in working capital balance of RMB20.6 million and a year-on-year decrease of income tax paid of RMB33.1 million.

The cash flow used in investing activities for the six months ended 30 June 2018 amounted to approximately RMB32.4 million (30 June 2017: RMB6.6 million). The amount mainly included payment for purchase of property, plant and equipment and payment of construction in progress of RMB12.4 million, deposit placed for a life insurance policy of RMB6.6 million and net increase in fixed deposits held at banks with original maturity over three months and pledged bank deposit of RMB13.5 million.

The cash flow used in financing activities for the six months ended 30 June 2018 amounted to approximately RMB17.0 million (30 June 2017: RMB130.4 million), which included interest paid of RMB12.0 million, net bank repayment of RMB37.0 million, offset by cash generated from issue of corporate bonds of RMB32.2 million.

As at 30 June 2018, the Group's total equity decreased by approximately RMB8.7 million to approximately RMB1,443.6 million (31 December 2017: RMB1,452.3 million).

Management Discussion and Analysis

Trade Working Capital Ratios
The Group's average inventory turnover days was 46 days for the first half of 2018, as compared to 36 days for the same period last year. The increase was mainly due to the termination of distribution relationship with some distributors who have slow repayment history in the first half of 2018, which some of them had already placed orders in the 2018 spring/summer sales fair.

The Group's average trade receivables turnover days for the first half of 2018 was 111 days, representing an increase of 3 days from 108 days for the same period last year. As at 30 June 2018, the Group's total trade receivables decreased by approximately 53.5% year-on-year to RMB192.2 million (30 June 2017: RMB412.9 million).

The Group's average trade payables turnover days was 28 days for the first half of 2018, representing a decrease of 10 days as compared to 38 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 2018 and 30 June 2017.

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

Charges on Group Assets
As at 30 June 2018, secured bank borrowings were secured by bank deposit, certain buildings, investment properties and lease prepayments with carrying value of RMB89,107,000 (31 December 2017: RMB67,886,000), RMB226,059,000 (31 December 2017: RMB233,402,000), RMB23,149,000 (31 December 2017: RMB23,743,000) and RMB256,684,000 (31 December 2017: RMB260,238,000), respectively. Save as disclosed above, there is no charge on Group assets.

Significant Investment, Material Acquisition and Disposal of Subsidiaries, Associates and Joint Ventures
During the first half of 2018, the Group had no significant investment, material acquisition or disposal of subsidiaries, associates and joint ventures.

Future Plans for Material Investments and Capital Assets

Fordoo commercial center
Our Fordoo commercial center project in Hui'an is under the construction stage. The whole project is principally funded by cash generated from our operations and bank borrowings. To cooperate with the facilitates of the government, we expect the whole constructions will be completed by 2021.

Save as disclosed above, the Group did not have other plans for material investment or capital assets as at 30 June 2018.

Capital Commitments and Contingencies
As at 30 June 2018, the Group had a total capital commitment of RMB188.9 million (31 December 2017: RMB199.3 million). It was 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 2018, the Group had no material contingent liabilities.

Management Discussion and Analysis

Foreign Currency Exposure

The functional currency of the Company is the 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. As the Group conducts business transaction principally in Renminbi, 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 1,598 employees as at 30 June 2018 (31 December 2017: 2,169). 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 2018, the Group had utilized HK$374.8 million of the Net Proceeds and unutilized Net Proceeds amounts to HK$79.9 million.

The following table sets forth a breakdown of the use of the Net Proceeds as at 30 June 2018:

Use of net proceeds	Available for use HK$ million	Utilized (as at 30 June 2018) HK$ million	Unutilized (as at 30 June 2018) HK$ million
Brand promotion and marketing	122.8	(122.8)	–
Research, design and product development	90.9	(36.5)	54.4
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	(20.0)	25.5
Working capital and other general corporate purposes	45.5	(45.5)	–
	454.7	(374.8)	79.9

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

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 45 which comprises the condensed consolidated statement of financial position of China Fordoo Holdings Limited (the "Company") as at 30 June 2018 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 2018 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, 24 August 2018

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 2018 — unaudited
(Expressed in Renminbi)

		Six months ended 30 June	
		2018	2017
	Notes	**RMB'000**	RMB'000
Revenue	*4*	**314,098**	599,917
Cost of sales		**(209,343)**	(383,736)
Gross profit		**104,755**	216,181
Other income and other gains or losses	*5*	**4,068**	1,605
Selling and distribution expenses		**(25,863)**	(29,001)
Administrative and other operating expenses		**(75,880)**	(65,777)
Profit from operations		**7,080**	123,008
Share loss of an associate		**–**	(2,000)
Finance costs	*6(a)*	**(12,427)**	(10,739)
(Loss)/profit before taxation	*6*	**(5,347)**	110,269
Income tax	*7*	**(1,733)**	(36,471)
(Loss)/Profit for the period		**(7,080)**	73,798
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**")		**5,154**	3,473
Total comprehensive (expense)/income for the period		**(1,926)**	77,271
(Loss)/earnings per share (RMB cents)			
Basic	*8*	**(1.47)**	15.00
Diluted	*8*	**(1.47)**	15.00

The notes on pages 23 to 45 form part of this interim financial report.

Condensed Consolidated Statement of Financial Position

At 30 June 2018 — unaudited
(Expressed in Renminbi)

	Notes	At 30 June 2018 RMB'000	At 31 December 2017 RMB'000
Non-current assets			
Property, plant and equipment	*9*	**240,153**	247,327
Construction in progress		**353,669**	343,314
Prepayment for construction in progress		**150,000**	150,000
Goodwill		**72,456**	72,456
Deposits placed for life insurance		**6,581**	–
Investment properties		**23,149**	23,743
Lease prepayments		**256,684**	260,238
Intangible assets		**179,694**	201,561
Investment in an associate	*10*	**–**	–
Deposit for acquisition of intangible assets		**12,916**	12,916
Deferred tax assets	*18(a)*	**53,218**	52,050
		1,348,520	1,363,605
Current assets			
Inventories	*11*	**54,188**	52,210
Trade and other receivables	*12*	**227,635**	286,082
Pledged bank deposits	*13*	**89,107**	67,886
Fixed deposits held at bank with original maturity over three months	*14*	**–**	7,755
Cash and cash equivalents	*14*	**505,012**	502,107
		875,942	916,040
Current liabilities			
Trade, bills and other payables	*15*	**215,650**	253,367
Bank borrowings	*16*	**443,800**	482,992
Amounts due to controlling shareholders		**365**	–
Current tax liabilities		**6,785**	3,548
		666,600	739,907
Net current assets		**209,342**	176,133
Total assets less current liabilities		**1,557,862**	1,539,738
Non-current liabilities			
Corporate bonds	*17*	**32,198**	–
Deferred tax liabilities	*18(a)*	**82,044**	87,469
		114,242	87,469
NET ASSETS		**1,443,620**	1,452,269
CAPITAL AND RESERVES	*20*		
Share capital		**3,819**	3,819
Reserves		**1,439,801**	1,448,450
TOTAL EQUITY		**1,443,620**	1,452,269

The notes on pages 23 to 45 form part of this interim financial report.

Condensed Consolidated Statement of Changes in Equity

For the six months ended 30 June 2018 — unaudited
(Expressed in Renminbi)

	Notes	Share capital RMB'000 Note 20(b)	Share premium RMB'000 Note 20(c)(i)	Statutory reserve RMB'000 Note 20(c)(ii)	Capital reserve RMB'000 Note 20(c)(iii)	Exchange reserve RMB'000 Note 20(c)(iv)	Share-based payment reserve RMB'000 Note 20(c)(v)	Retained profits RMB'000	Total equity RMB'000
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		–	–	–	–	–	249	–	249
Balance at 30 June 2017		3,819	136,871	126,445	39,023	(21,204)	898	1,212,608	1,498,460
Balance at 1 January 2018									
As originally presented		**3,819**	**136,871**	**127,396**	**39,023**	**(15,805)**	**347**	**1,160,618**	**1,452,269**
Initial application of IFRS9 (Note 2(i))		**–**	**–**	**–**	**–**	**–**	**–**	**(6,750)**	**(6,750)**
As restated		**3,819**	**136,871**	**127,396**	**39,023**	**(15,805)**	**347**	**1,153,868**	**1,445,519**
Changes in equity for the six months ended 30 June 2018:									
Loss for the period		**–**	**–**	**–**	**–**	**–**	**–**	**(7,080)**	**(7,080)**
Other comprehensive income for the period		**–**	**–**	**–**	**–**	**5,154**	**–**	**–**	**5,154**
Total comprehensive expense		**–**	**–**	**–**	**–**	**5,154**	**–**	**(7,080)**	**(1,926)**
Equity-settled share-based payments for employees	20(c)(v)	**–**	**–**	**–**	**–**	**–**	**27**	**–**	**27**
Balance at 30 June 2018		**3,819**	**136,871**	**127,396**	**39,023**	**(10,651)**	**374**	**1,146,788**	**1,443,620**

The notes on pages 23 to 45 form part of this interim financial report.

Condensed Consolidated Cash Flow Statement

For the six months ended 30 June 2018 — unaudited
(Expressed in Renminbi)

	Note	Six months ended 30 June 2018 RMB'000	2017 RMB'000
Operating activities			
Cash generated from operations		**57,364**	153,686
Income tax paid		**(5,089)**	(38,228)
Net cash generated from operating activities		**52,275**	115,458
Investing activities			
Payment for the purchase of property, plant and equipment and intangible assets		**(2,055)**	(129)
Payment for the deposit of intangible assets		**–**	(3,872)
Payments of construction in progress		**(10,355)**	(50,983)
Deposit placed for a life insurance policy		**(6,576)**	–
Decrease in fixed deposits held at bank with original maturity over three months		**7,755**	52,200
Increase in pledged bank deposits		**(21,221)**	(3,843)
Interest received		**47**	2,087
Capital injection in an associate		**–**	(2,000)
Net cash used in investing activities		**(32,405)**	(6,540)
Financing activities			
Proceeds from bank borrowings		**167,500**	117,500
Repayment of bank borrowings		**(204,430)**	(237,201)
Proceed from issue of corporate bonds		**32,062**	–
Interest paid		**(12,097)**	(10,739)
Net cash used in financing activities		**(16,965)**	(130,440)
Net increase/(decrease) in cash and cash equivalents		**2,905**	(21,522)
Cash and cash equivalents at 1 January	*14*	**502,107**	842,872
Cash and cash equivalents at 30 June	*14*	**505,012**	821,350

The notes on pages 23 to 45 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 24 August 2018.

The interim financial information has been prepared in accordance with the same accounting policies adopted in 2017 annual financial statements, except for the accounting policy changes that are expected to be reflected in the 2018 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 2017 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.

2 Changes in accounting policies

The accounting policies adopted and methods of computation used in the condensed consolidated interim financial statements are the same as those followed in the preparation of the Group's annual financial statements for the year ended 31 December 2017, except for the adoption of new standards as set out below.

In the current interim period, the Group has adopted all the new and revised standards, amendments and interpretations (the "**new and revised IFRSs**") issued by the IASB that are relevant to its operations and effective for its accounting period beginning on 1 January 2018. Except as described below, the adoption of these new and revised IFRSs did not result in significant changes to the Group's accounting policies and amounts reported for the current and prior accounting period.

The Group has not early applied any new and revised IFRSs that are not yet effective for the current period.

The Group has initially adopted IFRS 9 "Financial Instruments" and IFRS 15 "Revenue from Contracts with Customers" from 1 January 2018 and the Group has changed its accounting policies as a result of adopting these standards. The impact of the adoption of these standards and the nature and effect of the change in accounting policies are further described below.

2 Changes in accounting policies (Continued)

(a) IFRS 9 — Financial Instruments

IFRS 9 replaces the provisions of IAS 39 "Financial Instruments: Recognition and Measurement" that relate to the classification and measurement of financial assets and financial liabilities, impairment for financial assets and hedge accounting.

In accordance with the transitional provisions in IFRS 9, the Group has taken the exemption under IFRS 9 not to restate comparative information for prior periods with respect to classification and measurement (including impairment) requirements. Differences in the carrying amounts of financial assets resulting from the adoption of IFRS 9 are recognised in opening retained profits as at 1 January 2018. Accordingly, the information presented for 2017 has been presented, as previously reported, under IAS 39.

The amount by which each financial statement line item is affected by the adoption of IFRS 9 on the date of initial application is shown as follows.

	Carrying amount as at 31 December 2017 RMB'000	Effect of adoption of IFRS 9 (note ii) RMB'000	**Carrying amount as at 1 January 2018 RMB'000**
Condensed consolidated statement of financial position (extract)			
Trade and other receivables	286,082	(6,750)	**279,332**
Retained profits (reserves)	(1,160,618)	6,750	**(1,153,868)**

(i) Classification and measurement

From 1 January 2018, all recognised financial assets that are within the scope of IFRS 9 are required to be subsequently measured at amortised cost or fair value on the basis of the Group's business model for managing the financial assets and the contractual cash flow characteristics of the financial assets.

Specifically:

— debt investments that are held within a business model whose objective is to collect the contractual cash flows, and that have contractual cash flows that are solely payments of principal and interest on the principal amount outstanding, are subsequently measured at amortised cost;

— debt investments that are held within a business model whose objective is both to collect the contractual cash flows and to sell the debt instruments, and that have contractual cash flows that are solely payments of principal and interest on the principal amount outstanding, are subsequently measured at fair value through other comprehensive income ("**FVTOCI**");

— all other debt investments and equity investments are subsequently measured at fair value through profit or loss ("**FVTPL**").

2 Changes in accounting policies (Continued)

(a) IFRS 9 — Financial Instruments (Continued)

(i) Classification and measurement (Continued)

Despite the aforegoing, the Group may make the following irrevocable election/designation at initial recognition of a financial asset:

— the Group may irrevocably elect to present subsequent changes in fair value of an equity investment that is not held for trading in other comprehensive income; and

— the Group may irrevocably designate a debt investment that meets the amortised cost or FVTOCI criteria as measured at FVTPL if doing so eliminates or significantly reduces an accounting mismatch.

When a debt investment measured at FVTOCI is derecognised, the cumulative gain or loss previously recognised in other comprehensive income is reclassified from equity to profit or loss as a reclassification adjustment. In contrast, for an equity investment designated as measured at FVTOCI, the cumulative gain or loss previously recognised in other comprehensive income is not subsequently reclassified to profit or loss.

Debt instruments that are subsequently measured at amortised cost or at FVTOCI are subject to impairment (see note (ii) below).

The adoption of IFRS 9 has not had a significant effect on the Group's accounting policies related to financial liabilities.

On 1 January 2018 (the date of initial application of IFRS 9), the Group has assessed which business models apply to the financial assets held by the Group and has classified its financial instruments into the appropriate IFRS 9 categories.

2 Changes in accounting policies (Continued)

(a) IFRS 9 — Financial Instruments (Continued)

(i) Classification and measurement (Continued)

The following table shows the original measurement categories under IAS 39 and the new measurement categories under IFRS 9 for each class of the Group's financial assets and financial liabilities as at 1 January 2018.

	Original measurement category under IAS 39	New measurement category under IFRS 9	Original carrying amount under IAS 39 RMB'000	New carrying amount under IFRS 9 RMB'000
Financial assets				
Trade and other receivables	Amortised cost (Loans and receivables)	Amortised cost	270,190	270,190
Pledged bank deposits	Amortised cost (Loans and receivables)	Amortised cost	67,886	67,886
Fixed deposits held at bank with original maturity over three months	Amortised cost (Loans and receivables)	Amortised cost	7,755	7,755
Cash and cash equivalents	Amortised cost (Loans and receivables)	Amortised cost	502,107	502,107
			847,938	847,938
Financial liabilities				
Trade bills and other payables	Amortised cost	Amortised cost	253,367	253,367
Bank borrowings	Amortised cost	Amortised cost	482,992	482,992
			736,359	736,359

The following table reconciles the carrying amounts of financial assets at amortised cost under IAS 39 to the carrying amounts under IFRS 9 on transition to IFRS 9 on 1 January 2018.

	Original carrying amount under IAS 39 RMB'000	Remeasurement (note (ii)) RMB'000	New Carrying amount under IFRS 9 RMB'000
Trade and other receivables	270,190	(6,750)	263,440
Pledged bank deposits	67,886	–	67,886
Fixed deposits held at bank with original maturity over three months	7,755	–	7,755
Cash and cash equivalents	502,107	–	502,107
	847,938	(6,750)	841,188

2 Changes in accounting policies (Continued)

(a) IFRS 9 — Financial Instruments (Continued)

(ii) Impairment

The impairment of financial assets has changed from the incurred loss model under IAS 39 to the expected credit loss model under IFRS 9. Under the new expected loss approach, it is no longer necessary for a loss event to occur before an impairment loss is recognised. Impairment is made on the expected credit losses, which are the present value of the cash shortfalls over the expected life of the financial assets. The Group assesses on a forward looking basis the expected credit losses associated with debt instruments carried at amortised cost or FVTOCI. The impairment methodology applied depends on whether there has been a significant increase in credit risk.

For trade and other receivables, the Group applies the simplified approach permitted by IFRS 9, which requires lifetime expected losses to be recognised from initial recognition of the receivables. The Group has established a provision matrix that is based on the Group's historical default experience, adjusted for factors that are specific to the debtors and an assessment of both the current as well as the forecast direction of conditions.

Applying the expected credit loss model resulted in the recognition of additional impairment for the Group's trade and other receivables on 1 January 2018 as follows:

	RMB'000
Loss allowance at 31 December 2017 under IAS 39	208,201
Additional impairment recognised at 1 January 2018	6,750
Loss allowance at 1 January 2018 under IFRS 9	214,951

The additional impairment is recognised in retained profits, resulting in a decrease in trade and other receivables of approximately RMB6,750,000 and decrease in retained profits of approximately RMB6,750,000 as at 1 January 2018.

(b) IFRS 15 Revenue from Contracts with Customers

IFRS 15 establishes a new five-step model to account for revenue arising from contracts with customers. Under IFRS 15, revenue is recognised at an amount that reflects the consideration to which an entity expects to be entitled in exchange for transferring goods or services to a customer. The principles in IFRS 15 provide a more structured approach for measuring and recognising revenue. The standard also introduces extensive qualitative and quantitative disclosure requirements, including disaggregation of total revenue, information about performance obligations, changes in contract asset and liability account balances between periods and key judgements and estimates. Considering the nature of the Group's principal activities, the adoption of IFRS 15 does not have material impact on the Group's revenue recognition and IFRS 15 had no material impact on amounts and/or disclosures reported in these condensed consolidated interim financial statements.

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 PRC.

(a) Segment revenue and results

There are over 90% of the Group's revenue, operating results during the six months ended 30 June 2018 and 2017 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		**Consolidation**	
	At 30 June 2018 (Unaudited) RMB'000	At 31 December 2017 (Audited) RMB'000	**At 30 June 2018 (Unaudited) RMB'000**	At 31 December 2017 (Audited) RMB'000
Segment assets	**1,469,638**	1,564,511	**1,469,638**	1,564,511
Unallocated assets *(note)*			**754,824**	715,134
Total assets			**2,224,462**	2,279,645
Segment liabilities	**747,123**	695,865	**747,123**	695,865
Unallocated liabilities *(note)*			**33,719**	131,511
Total liabilities			**780,842**	827,376

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.

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 2018 and 2017, and non-current assets as at 30 June 2018 and 31 December 2017.

Revenue from external customers

	Six months ended 30 June	
	2018	2017
	RMB'000	RMB'000
	(Unaudited)	(Unaudited)
PRC	**201,431**	522,119
Hong Kong	**112,667**	77,798
	314,098	599,917

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	
	2018	2017
	RMB'000	RMB'000
	(Unaudited)	(Unaudited)
Men's trousers	**175,712**	329,578
Men's tops	**137,973**	257,201
Accessories	**413**	3,060
Fabrics	**–**	10,078
	314,098	599,917

5 Other income and other gains or losses

	Six months ended 30 June	
	2018	2017
	RMB'000	RMB'000
	(Unaudited)	(Unaudited)
Interest income	**123**	2,087
Rental income from investment properties less direct outgoings	**729**	737
Government grants	**236**	5
Net foreign exchange gain/(loss)	**2,926**	(1,301)
Loss on disposal of property, plant and equipment	**(158)**	(5)
Others	**212**	82
	4,068	1,605

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

6 (Loss)/profit before taxation

(Loss)/Profit before taxation is arrived at after charging:

	Six months ended 30 June	
	2018	2017
	RMB'000	RMB'000
	(Unaudited)	(Unaudited)
(a) Finance costs:		
Corporate bonds	**330**	–
Interest on bank borrowings	**12,097**	10,739
	12,427	10,739
(b) Staff costs:		
Contributions to defined contribution retirement plans	**918**	981
Salaries, wages and other benefits	**43,731**	68,532
Equity-settled share-based payment expenses for employees	**27**	249
	44,676	69,762
(c) Other items:		
Amortisation of lease prepayments	**3,554**	3,554
Amortisation of intangible assets	**21,867**	167
Depreciation of property, plant and equipment	**9,045**	9,614
Depreciation of investment properties	**594**	594
Research and developments expenses *(note (i))*	**8,616**	8,734
Cost of inventories *(note (ii))*	**209,343**	383,736
Allowance for doubtful debts	**889**	94,338
Operating lease payment	**967**	404
Reversal of allowance for doubtful debts	**(957)**	(66,472)
Write down of inventories	**4,739**	–

(Expressed in Renminbi unless otherwise indicated)

6 (Loss)/profit before taxation (Continued)

Notes:

(i) Research and development costs include staff costs of employees in the design and product development department of RMB4,168,000 (six months ended 30 June 2017: RMB5,125,000) which are included in the staff costs as disclosed in note 6(b).

(ii) Cost of inventories includes RMB34,393,000 (six months ended 30 June 2017: RMB55,737,000) 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	
	2018	2017
	RMB'000	RMB'000
	(Unaudited)	(Unaudited)
Current tax		
Provision for PRC corporate income tax for the period	**8,326**	38,690
Deferred tax		
Origination and reversal of temporary differences	**(6,593)**	(2,219)
	1,733	36,471

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 2018 and 2017.

(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 (Loss)/earnings per share

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

Diluted (loss)/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 June 30, 2018, the Company had outstanding share options and restricted share units that will potentially dilute the ordinary shares.

The calculation of basic and diluted (loss)/earnings per share is based on the following:

	Six months ended 30 June	
	2018 (Unaudited)	2017 (Unaudited)
(Loss)/Profit attributable to equity holders of the Company *(RMB'000)*	**(7,080)**	73,798
Weighted average number of shares for basic (loss)/earnings per share *('000 shares)*	**480,900**	480,900
Adjustments for share options *('000 shares)*	**–**	100
Weighted average number of shares for diluted (loss)/earnings per share *('000 shares)*	**480,900**	481,000
(Loss)/earnings per share, basic *(RMB)*	**(1.47) cents**	15.00 cents
(Loss)/earnings per share, diluted *(RMB)*	**(1.47) cents**	15.00 cents

9 Property, plant and equipment

During the six months ended 30 June 2018, the Group acquired items of property, plant and equipment with a cost of RMB2,055,000 (six months ended 30 June 2017: RMB129,000).

Items of property, plant and equipment with a net book value of RMB184,000 (six months ended 30 June 2017: RMB5,000) were disposed of during the six months ended 30 June 2018.

10 Investment in an associate

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

	2018 RMB'000 (Unaudited)	2017 RMB'000 (Audited)
Cost of investment in an associate	2,000	2,000
Share of post-acquisition loss and other comprehensive expense	(2,000)	(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

	2018 RMB'000	2017 RMB'000
The unrecognised shares of loss of an associate for the period	–	(4,406)
Cumulative unrecognised shares of loss of an associate	(4,406)	(4,406)

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, it is regarded as associate.

Notes to the Unaudited Interim Financial Report

(Expressed in Renminbi unless otherwise indicated)

11 Inventories

	At 30 June 2018 RMB'000 (Unaudited)	At 31 December 2017 RMB'000 (Audited)
Raw materials	**12,903**	8,567
Work in progress	**2,360**	5,320
Finished goods	**38,925**	38,323
	54,188	52,210

12 Trade and other receivables

	At 30 June 2018 RMB'000 (Unaudited)	At 31 December 2017 RMB'000 (Audited)
Trade receivables	**407,088**	464,794
Loss allowance	**(214,883)**	(208,201)
Trade receivables net of allowance	**192,205**	256,593
Prepayments to suppliers	**16,599**	15,892
Other deposits, prepayments and receivables	**18,831**	13,597
	227,635	286,082

12 Trade and other receivables (Continued)

Ageing analysis

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

	At 30 June 2018 RMB'000 (Unaudited)	At 31 December 2017 RMB'000 (Audited)
Within 3 months	**154,849**	203,068
More than 3 months but within 6 months	**27,151**	44,963
More than 6 months but within 1 year	**10,205**	8,562
	192,205	256,593

Trade receivables are normally due for settlement within 90–180 days (31 December 2017: 90–180 days) from the invoice date.

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 2018 RMB'000 (Unaudited)
Balance as at 1 January 2018 *(Note 2(a)(ii))*	**214,951**
Impairment loss recognised	**889**
Impairment loss reversed	**(957)**
Balance as at 30 June 2018	**214,883**

As at 30 June 2018, the Group's trade receivables with net of allowance for doubtful debts of RMB889,000 (31 December 2017: RMB167,881,000) 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 2018, 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 2018 RMB'000 (Unaudited)	At 31 December 2017 RMB'000 (Audited)
Fixed deposit held at bank with original maturity within three months	**–**	11,531
Cash at bank and in hand	**505,012**	490,576
Cash and cash equivalents in the condensed consolidated statements of financial position and condensed consolidated cash flow statement	**505,012**	502,107
Fixed deposits held at bank with original maturity over three months	**–**	7,755
	505,012	509,862

15 Trade, bills and other payables

	At 30 June 2018 RMB'000 (Unaudited)	At 31 December 2017 RMB'000 (Audited)
Trade payables	**33,053**	31,059
Bills payables	**87,970**	82,620
Accruals	**61,793**	70,018
Receipts in advance	**482**	–
Other payables	**32,352**	40,388
Final payment for acquisition of subsidiaries	**–**	29,282
	215,650	253,367

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 2018 RMB'000 (Unaudited)	At 31 December 2017 RMB'000 (Audited)
Within 1 month	**26,748**	37,214
After than 1 month but within 3 months	**34,069**	19,695
Over 3 months but within 6 months	**60,206**	36,770
Over 6 months but within 1 year	**–**	20,000
	121,023	113,679

16 Bank borrowings

(a) As at 30 June 2018, the bank borrowings were repayable as follow:

	At 30 June 2018 RMB'000 (Unaudited)	At 31 December 2017 RMB'000 (Audited)
Within 1 year or on demand	443,800	482,992

(b) The bank borrowings were secured as follows:

	At 30 June 2018 RMB'000 (Unaudited)	At 31 December 2017 RMB'000 (Audited)
Bank borrowings		
— Secured	399,800	438,992
— Unsecured	44,000	44,000
	443,800	482,992

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

	At 30 June 2018 RMB'000 (Unaudited)	At 31 December 2017 RMB'000 (Audited)
Property, plant and equipment	226,059	233,402
Investment properties	23,149	23,743
Lease prepayments	256,684	260,238
Pledge bank deposits	89,107	67,886
	594,999	585,269

16 Bank borrowings (Continued)

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

	At 30 June 2018 RMB'000 (Unaudited)	At 31 December 2017 RMB'000 (Audited)
Facility amount	**995,538**	961,757
Utilised facilities amount in respect of bank borrowings	**443,800**	482,992

17 Corporate bonds

	At 30 June 2018 RMB'000 (Unaudited)	At 31 December 2017 RMB'000 (Audited)
Unsecured corporate bonds	**32,198**	–

The Group's corporate bonds are repayable as follows:

	At 30 June 2018 RMB'000 (Unaudited)	At 31 December 2017 RMB'000 (Audited)
Within 1 year	**–**	–
After 1 year but within 2 years	**23,099**	–
After 2 years but within 5 years	**7,225**	–
After 5 years	**1,874**	–
	32,198	–

(Expressed in Renminbi unless otherwise indicated)

17 Corporate bonds (Continued)

The movement of corporate bonds is as follows:

	At 30 June 2018 RMB'000 (Unaudited)	At 31 December 2017 RMB'000 (Audited)
As at 1 January	**–**	–
Proceeds from issuance of bonds	**32,062**	–
Imputed interests	**136**	–
As at 30 June/31 December	**32,198**	–

During the period ended 30 June 2018, the Group issued bonds with a principle amount in a total of HK$43,000,000 carried interest at 5-7.5% per annum. Total transaction cost attributable to the issuance of the bond amounted to HK$4,971,000. The bonds are unsecured with maturity date falling on 2–7.5 years of the issue date.

The effective interest rate of the bonds is ranging from 10.26% to 13.13% per annum.

18 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** RMB'000	**Deferred tax liability on intangible assets** RMB'000	**Impairment on trade receivable** RMB'000	**Impairment on inventory** RMB'000	**Total** RMB'000
At 1 January 2017 (Audited)	(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 (Unaudited)	(40,340)	–	35,939	–	(4,401)
At 1 January 2018 (Audited)	**(37,740)**	**(49,729)**	**52,050**	**–**	**(35,419)**
(Charged)/credited to condensed consolidated statement of profit or loss and other comprehensive income	**–**	**5,425**	**(17)**	**1,185**	**6,593**
At 30 June 2018 (Unaudited)	**(37,740)**	**(44,304)**	**52,033**	**1,185**	**(28,826)**

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(Expressed in Renminbi unless otherwise indicated)

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

(a) Deferred tax assets and liabilities recognised: (Continued)

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

	At 30 June 2018 RMB'000 (Unaudited)	At 31 December 2017 RMB'000 (Audited)
Deferred tax assets recognised in the condensed consolidated statement of financial position	**53,218**	52,050
Deferred tax liabilities recognised in the condensed consolidated statement of financial position	**(82,044)**	(87,469)

(b) Deferred tax assets not recognised

At 30 June 2018, certain subsidiaries of the Group have not recognised deferred tax assets in respect of cumulative tax losses carried forward of RMB63,048,000 (31 December 2017: RMB57,682,000), of which RMB31,101,000 (31 December 2017: RMB28,457,000) 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 2018, deferred tax liabilities relating to the undistributed profits of the Company's PRC subsidiaries of RMB1,122,286,000 (31 December 2017: RMB967,540,000) 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.

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19 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		

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

	At 30 June 2018 (Unaudited)		At 31 December 2017 (Audited)	
	Weighted average Exercise price	**Number of options**	Weighted average exercise price	Number of options
Outstanding at the 1 January	**HK$3.56**	**700,000**	HK$3.56	2,100,000
Granted during the period/year	**–**	**–**	–	–
Lapsed during the period/year	**HK$3.56**	**–**	HK$3.56	(1,400,000)
Exercised during the period/year	**HK$3.56**	**–**	HK$3.56	–
Outstanding at 30 June/31 December	**HK$3.56**	**700,000**	HK$3.56	700,000
Exercisable at 30 June/31 December	**HK$3.56**	**400,000**	HK$3.56	400,000

During the six months ended 30 June 2018, Nil (31 December 2017: Nil) share options were granted and 400,000 (31 December 2017: 400,000) of share options became exercisable as at 30 June 2018.

The shares options outstanding as at 30 June 2018 had an exercise price of HK$3.56 (2017:HK$3.56) and a weighted average remaining contractual life of 4.0 years (31 December 2017: 4.5 years).

20 Capital, reserves and dividends

(a) Dividends

No dividends were paid, declared or proposed during the period. The Directors do not recommend the payment of an interim dividend (2017: Nil).

(b) Share capital

Authorised and issued share capital

	At 30 June 2018 (Unaudited) Number of shares	At 30 June 2018 (Unaudited) Amount HK$'000	At 31 December 2017 (Audited) Number of shares	At 31 December 2017 (Audited) Amount HK$'000
Authorised:				
At 1 January/30 June/ 31 December	**1,000,000,000**	**10,000**	1,000,000,000	10,000

	At 30 June 2018 Number of shares	At 30 June 2018 Amount HK$'000	At 30 June 2018 Amount RMB'000	At 31 December 2017 Number of shares	At 31 December 2017 Amount HK$'000	At 31 December 2017 Amount RMB'000
Issued and fully paid:						
At 1 January/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.

20 Capital, reserves and dividends (Continued)

(c) Nature and purpose of reserves (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. No transfer from the share-based reserve to the share premium account during the period of 2018.

— 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.

21 Commitments

(a) Capital commitments

Capital commitments of the Group in respect of construction in progress outstanding at 30 June 2018 that were not provided for in the interim financial information were as follows:

	At 30 June 2018 RMB'000 (Unaudited)	At 31 December 2017 RMB'000 (Audited)
Contracted for	**188,904**	199,259

21 Commitments (Continued)

(b) Operating leases

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

	At 30 June 2018 RMB'000 (Unaudited)	At 31 December 2017 RMB'000 (Audited)
Within 1 year	**1,349**	1,591
After 1 year but within 2 years	**461**	834
	1,810	2,425

None of the leases includes contingent rentals.

22 Material related party transactions

In addition to the related party information disclosed elsewhere in the condensed consolidated interim 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	
	2018 RMB'000 (Unaudited)	2017 RMB'000 (Audited)
Short-term employee benefits	**1,416**	2,855
Contributions to retirement benefit scheme	**19**	34
Equity-settled share-based payment expenses for employees	**27**	249
	1,462	3,138

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

22 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 2018:

Due to controlling shareholders

	At 30 June 2018 RMB'000 (Unaudited)	At 31 December 2017 RMB'000 (Audited)
Non-trade related		
Mr. Kwok Kin Sun *(Note)*	**363**	–
Mr. Kwok Hon Fung *(Note)*	**2**	–

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.

23 Events after the reporting date

Subscribe for investment fund

As disclosed in the Company's announcement on 1 August 2018, an indirect wholly-owned subsidiary of the Company (the "**Subscriber**"), Beijing Ruibao Investment Fund Co., Limited* (北京瑞保投資基金有限公司) and China Bohai Bank Co., Ltd* (渤海銀行股份有限公司) entered into a subscription agreement, pursuant to which the Subscriber has agreed to subscribe for New Retail Industry Merger and Acquisition Private Equity Investment Fund* (新零售產業併購私募投資基金) with a target fund size of RMB200,000,000 at a total subscription amount of RMB40,000,000 with a return of 12% per annum, being the benchmark interest rate.

Acquisition of the subsidiary

As disclosed in the Company's announcement on 31 July 2018, the Company completed an acquisition, which pursuant to the share transfer agreement to acquire 100% of the equity interests in 天津市悅心億彩電子商務有限公司 (Tianjin Yuexin Yicai E-Commerce Co., Limited*) (the "**Target Company**"), for a total cash consideration of RMB10,000,000. The Target Company intends to setup an online platform and retail stores to retail and distribute consumer goods such as high-end food products in the PRC.

Save as disclosed above, the Group has no other significant events after reporting period up to the date of this report.

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 2018, 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 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%

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 2018, the Company was not aware of any person or corporation having 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 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 2018, 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 and chief executives 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
Donghai International Financial Holdings Company Limited	Long	Security interest in Shares	244,800,000	50.90%
東海證券股份有限公司	Long	Security interest in Shares	244,800,000	50.90%
Ms. Wong Tung Yam(1)	Long	Interest of spouse	244,800,000	50.90%
Everkept	Long	Beneficial owner	244,800,000	50.90%
Asia United Fund	Long	Investment manager	56,453,000	11.74%
Equal Plus	Long	Beneficial owner	50,400,000	10.48%

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.

Save as disclosed above, as at 30 June 2018, 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 as 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 2018.

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 Ms. Huang Yumin. 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 2018.

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 2017 Annual Report of the Company.

No share options were granted, exercised, cancelled or lapsed during the six months ended 30 June 2018. As at 30 June 2018, share options to subscribe for an aggregate of 700,000 Shares were outstanding and these share options relate to the share options granted to the following grantees set out below:

				Number of share options					
Category	Date of grant	Exercise price (HK$)	Exercisable period	As at 1 January 2018	Granted	Exercised	Cancelled	Lapsed	As at 30 June 2018
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
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
Total				700,000	–	–	–	–	700,000

As disclosed above, the exercise period of 100,000 of Shares is from 7 October 2016 to 6 October 2021, and the exercise period of 300,000 of Shares is from 7 October 2017 to 6 October 2022, so the total number of Shares available for issue under the Share Option Scheme is 400,000, representing 0.08% of the Company's issued share capital as at 30 June 2018.

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 2018.

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 2018, 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. Cheung Chiu Tung and Ms. Huang Yumin, both independent non-executive Directors, were not able to attend the 2018 Annual General Meeting held on 17 May 2018.

Other Information

In addition, the Board currently comprises four executive Directors and three independent non-executive Directors, with independent non-executive Directors representing 42.9% 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 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 2018 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.

Other Information

Events After Reporting Period

Subscribe for Investment Fund

As disclosed in the Company's announcement on 1 August 2018, an indirect wholly-owned subsidiary of the Company (the "**Subscriber**"), Beijing Ruibao Investment Fund Co., Limited* (北京瑞保投資基金有限公司) and China Bohai Bank Co., Ltd* (渤海銀行股份有限公司) entered into a subscription agreement, pursuant to which the Subscriber has agreed to subscribe for New Retail Industry Merger and Acquisition Private Equity Investment Fund* (新零售產業併購私募投資基金) with a target fund size of RMB200,000,000 at a total subscription amount of RMB40,000,000 with a return of 12% per annum, being the benchmark interest rate (the "**Subscription**").

Acquisition of the Target Company

As disclosed in the Company's announcement on 31 July 2018, we completed an acquisition, which pursuant to the share transfer agreement to acquire 100% of the equity interests in 天津市悅心億彩電子商務有限公司 (Tianjin Yuexin Yicai E-Commerce Co., Limited*) (the "**Target Company**"), for a total cash consideration of RMB10,000,000 (the "**Acquisition**"). The Target Company intends to setup an online platform and retail stores to retail and distribute consumer goods such as high-end food products in the PRC.

The Board believes that the Subscription and the Acquisition will enable the Group to capture investment opportunities and further diversify the Group's investment portfolio. The Subscription and the Acquisition are also in alignment with the Group's expansion plan to explore opportunities, to expand and diversify its business and activities starting from 2018 with a view to create new sources of income and to maximize the return to the Company and its Shareholders in the long run. The Group will continue to explore other possible investment opportunities with a view to enhance its value to its Shareholders.

Save as disclosed above, the Group has no other significant events after reporting period up to the date of this report.

On behalf of the Board

Kwok Kin Sun
Chairman and Executive Director

Hong Kong
24 August 2018

* *For identification purposes only*