



中國服飾控股有限公司  
CHINA OUTFITTERS HOLDINGS LIMITED

Stock Code: 1146

Incorporated in the Cayman Islands with limited liability

**2015**  
Interim Report

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## CORPORATE INFORMATION

### Executive directors

Mr. LO Peter (*Chairman*)  
Mr. ZHANG Yongli  
(*Chief Executive Officer*)  
Mr. SUN David Lee  
Ms. HUANG Xiaoyun  
(*Chief Financial Officer*)

### Non-executive directors

Mr. WANG Wei  
Mr. LIN Yang

### Independent non-executive directors

Mr. KWONG Wilson Wai Sun  
Mr. CUI Yi  
Mr. YEUNG Chi Wai

### Company secretary

Ms. LI Rita Yan Wing

### Authorised representatives

Mr. LO Peter  
Mr. SUN David Lee

### Audit committee

Mr. KWONG Wilson Wai Sun  
(*Chairman*)  
Mr. CUI Yi  
Mr. YEUNG Chi Wai

### Remuneration committee

Mr. CUI Yi (*Chairman*)  
Mr. ZHANG Yongli  
Mr. KWONG Wilson Wai Sun

### Nomination committee

Mr. LO Peter (*Chairman*)  
Mr. YEUNG Chi Wai  
Mr. KWONG Wilson Wai Sun

### Registered office

190 Elgin Avenue,  
George Town,  
Grand Cayman,  
KY1-9005,  
Cayman Islands

### Head office in the PRC

No. 9 Lane 1225,  
Tong Pu Road,  
Pu Tuo District,  
Shanghai,  
PRC

### Principal place of business in Hong Kong

Room 1303, 13/F,  
New East Ocean Centre,  
9 Science Museum Road,  
Tsim Sha Tsui East,  
Kowloon,  
Hong Kong

### Website

[www.cohl.hk](http://www.cohl.hk)

### Hong Kong share registrar and transfer office

Tricor Investor Services Limited  
Level 22, Hopewell Centre,  
183 Queen's Road East,  
Hong Kong

### Principal bankers

The Hongkong and Shanghai  
Banking Corporation Limited  
China Merchants Bank,  
Hong Kong Branch  
China Construction Bank (Asia)  
Corporation Limited

### Legal advisor

Herbert Smith Freehills LLP

### Auditor

Ernst & Young,  
Certified Public Accountants

## FINANCIAL HIGHLIGHTS

	Six months ended 30 June		
	2015 (Unaudited)	2014 (Unaudited)	% change
Revenue (RMB million)	<b>526.6</b>	542.0	(2.8%)
Gross profit (RMB million)	<b>384.1</b>	389.7	(1.4%)
Operating profit (RMB million)	<b>118.4</b>	150.9	(21.5%)
Profit attributable to owners of the parent (RMB million)	<b>95.7</b>	101.6	(5.8%)
Net cash inflows from operating activities (RMB million)	<b>27.9</b>	72.8	(61.7%)
Earnings per share — Basic (RMB cents)	<b>2.78</b>	2.95	(5.8%)
Gross profit margin	<b>72.9%</b>	71.9%	+1.0 p.p.t
Operating profit margin	<b>22.5%</b>	27.8%	(5.3 p.p.t)
Net profit margin	<b>18.0%</b>	18.7%	(0.7 p.p.t)
Effective tax rate	<b>30.6%</b>	42.7%	(12.1 p.p.t)
	<b>As at 30 June 2015 (Unaudited)</b>	As at 31 December 2014 (Audited)	
Current ratio (times)	<b>2.4</b>	2	
Trade receivables turnover days (days)	<b>43</b>	40	+3 days
Trade payables turnover days (days)	<b>52</b>	42	+10 days
Inventory turnover days (days)	<b>518</b>	430	+88 days

## China Outfitters Holdings Limited

Key ratios:

1. Basic earnings per share = Profit attributable to owners of the parent/weighted average number of ordinary shares (the weighted average number of shares in the first six months of 2015 was 3,440,181,967 versus 3,445,450,000 in the same period of last year)
2. Current ratio = Current assets/current liabilities
3. Trade receivables turnover days = Average of opening and closing balances on trade receivables/revenue for the period x 180 days
4. Trade payables turnover days = Average of opening and closing balances on trade payables/cost of sales for the period x 180 days
5. Inventory turnover days = Average of opening and closing balances on inventory/cost of sales x 180 days



**REPORT ON REVIEW OF INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS  
TO THE BOARD OF DIRECTORS OF CHINA OUTFITTERS HOLDINGS LIMITED**

*(Incorporated in the Cayman Islands with limited liability)*

**Introduction**

We have reviewed the accompanying interim condensed consolidated statement of financial position of China Outfitters Holdings Limited (the “Company”) and its subsidiaries (collectively referred to as the “Group”) as at 30 June 2015 and the related interim condensed consolidated statements of profit or loss, comprehensive income, changes in equity and cash flows for the six-month period then ended, and explanatory notes. The Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited require the preparation of a report on interim financial information to be in compliance with the relevant provisions thereof and International Accounting Standard 34 “Interim Financial Reporting” (“IAS 34”) issued by the International Accounting Standards Board.

The directors are responsible for the preparation and presentation of these interim condensed consolidated financial statements in accordance with IAS 34. Our responsibility is to express a conclusion on these interim condensed consolidated financial statements based on our review. Our report is made 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 interim financial information consists of making inquiries, 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 accompanying interim condensed consolidated financial statements are not prepared, in all material respects, in accordance with IAS 34.

**Ernst & Young**

*Certified Public Accountants*

22nd Floor

CITIC Tower

1 Tim Mei Avenue, Central

Hong Kong

24 August 2015

## INTERIM CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the six months ended 30 June 2015

	Notes	Six months ended 30 June	
		2015 RMB'000 (Unaudited)	2014 RMB'000 (Unaudited)
<b>REVENUE</b>	4	<b>526,576</b>	541,996
Cost of sales		<b>(142,440)</b>	(152,294)
Gross profit		<b>384,136</b>	389,702
Other income and gains, net	4	<b>11,737</b>	14,873
Selling and distribution costs		<b>(243,323)</b>	(210,452)
Administrative expenses		<b>(25,184)</b>	(28,935)
Other expenses		<b>(9,015)</b>	(14,316)
Operating profit		<b>118,351</b>	150,872
Finance income	5	<b>24,565</b>	28,190
Finance costs		<b>(6,806)</b>	(1,042)
Share of profit/(loss) of joint ventures		<b>351</b>	(1,000)
<b>PROFIT BEFORE TAX</b>	6	<b>136,461</b>	177,020
Income tax expense	7	<b>(41,808)</b>	(75,499)
<b>PROFIT FOR THE PERIOD</b>		<b>94,653</b>	101,521
<b>OTHER COMPREHENSIVE INCOME</b>			
Exchange differences on translation of foreign operations		<b>127</b>	167
<b>TOTAL COMPREHENSIVE INCOME FOR THE PERIOD, NET OF TAX</b>		<b>94,780</b>	101,688



**INTERIM CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME** *(continued)*

For the six months ended 30 June 2015

		<b>Six months ended 30 June</b>	
	Notes	<b>2015</b> <b>RMB'000</b> <b>(Unaudited)</b>	2014 RMB'000 (Unaudited)
Profit attributable to:			
Owners of the parent		<b>95,710</b>	101,560
Non-controlling interests		<b>(1,057)</b>	(39)
		<b>94,653</b>	101,521
Total comprehensive income attributable to:			
Owners of the parent		<b>95,843</b>	101,719
Non-controlling interests		<b>(1,063)</b>	(31)
		<b>94,780</b>	101,688
<b>EARNINGS PER SHARE</b>			
<b>ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE PARENT</b>			
Basic and diluted	9	<b>RMB2.78</b> <b>cents</b>	RMB2.95 cents

Details of the dividend for the period are disclosed in note 8 to the interim condensed consolidated financial statements.

**INTERIM CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION****As at 30 June 2015**

	Notes	<b>30 June 2015 RMB'000 (Unaudited)</b>	31 December 2014 RMB'000 (Audited)
<b>NON-CURRENT ASSETS</b>			
Property, plant and equipment	10	<b>217,817</b>	207,367
Prepaid land lease payments	11	<b>87,104</b>	88,136
Investment properties		<b>4,798</b>	4,945
Goodwill		<b>70,697</b>	70,697
Other intangible assets	10	<b>111,878</b>	112,697
Investment in joint ventures		<b>113,119</b>	117,824
Deferred tax assets		<b>101,423</b>	94,928
Total non-current assets		<b>706,836</b>	696,594
<b>CURRENT ASSETS</b>			
Inventories	12	<b>410,937</b>	409,361
Trade and bills receivables	13	<b>117,809</b>	128,955
Prepayments, deposits and other receivables	14	<b>65,233</b>	76,153
Derivative financial instruments		<b>—</b>	2,243
Structured bank deposits	15	<b>414,428</b>	707,700
Pledged bank deposits	16	<b>423,929</b>	432,098
Cash and cash equivalents	16	<b>161,005</b>	190,154
Total current assets		<b>1,593,341</b>	1,946,664
<b>CURRENT LIABILITIES</b>			
Short-term bank loans	17	<b>378,533</b>	646,827
Trade and bills payables	18	<b>32,712</b>	53,986
Derivative financial instruments		<b>2,517</b>	—
Deposits received, other payables and accruals	19	<b>99,901</b>	116,172
Tax payable		<b>151,374</b>	150,783
Total current liabilities		<b>665,037</b>	967,768

**INTERIM CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION** *(continued)*
**As at 30 June 2015**

	Notes	<b>30 June 2015 RMB'000 (Unaudited)</b>	31 December 2014 RMB'000 (Audited)
<b>NET CURRENT ASSETS</b>		<b>928,304</b>	978,896
<b>TOTAL ASSETS LESS CURRENT LIABILITIES</b>		<b>1,635,140</b>	1,675,490
<b>NON-CURRENT LIABILITIES</b>			
Deferred tax liabilities		<b>5,802</b>	38,438
Net assets		<b>1,629,338</b>	1,637,052
<b>EQUITY</b>			
Equity attributable to owners of the parent			
Issued capital	20	<b>280,661</b>	280,661
Shares held for share award scheme		<b>(6,045)</b>	(3,669)
Reserves		<b>1,351,909</b>	1,254,380
Proposed final and special final dividends	8	<b>—</b>	101,804
Non-controlling interests		<b>1,626,525 2,813</b>	1,633,176 3,876
Total equity		<b>1,629,338</b>	1,637,052

## INTERIM CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the six months ended 30 June 2015

	Attributable to owners of the parent													
	Issued capital	Share Award Scheme	Shares held for redemption reserve	Capital redemption reserve	Merger reserve	Acquisition reserve	Share option reserve	Statutory surplus reserve	Exchange fluctuation reserve	Retained profits	Declared final dividends	Total	Non-controlling interests	Total equity
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
	(note 20)	(note 22)				(note 21)								
<b>Unaudited</b>														
At 1 January 2015	280,661	(3,669)	543*	389,848*	(186,036)*	50,523*	47,783*	4,413*	947,306*	101,804	1,633,176	3,876	1,637,052	
Profit for the period	-	-	-	-	-	-	-	-	95,710	-	95,710	(1,057)	94,653	
Other comprehensive income for the period:	-	-	-	-	-	-	-	-	-	-	-	-	-	
Exchange differences on translation of foreign operations	-	-	-	-	-	-	-	133	-	-	133	(6)	127	
Total comprehensive income for the period	-	-	-	-	-	-	-	133	95,710	-	95,843	(1,063)	94,780	
Appropriations to statutory surplus reserve	-	-	-	-	-	-	259	-	(259)	-	-	-	-	
Equity-settled share option arrangements	-	-	-	-	-	1,686	-	-	-	-	1,686	-	1,686	
Declared final 2014 dividends	-	-	-	-	-	-	-	-	(101,804)	(101,804)	-	-	(101,804)	
Share award scheme arrangements	-	(2,376)	-	-	-	-	-	-	-	-	(2,376)	-	(2,376)	
At 30 June 2015	280,661	(6,045)	543*	389,848*	(186,036)*	52,209*	48,042*	4,546*	1,042,757*	-	1,626,525	2,813	1,629,338	
<b>Unaudited</b>														
At 1 January 2014	280,661	-	543*	389,848*	(186,036)*	50,392*	47,507*	(699)*	1,176,148*	326,318	2,084,682	2,388	2,087,070	
Profit for the period	-	-	-	-	-	-	-	-	101,560	-	101,560	(39)	101,521	
Exchange differences on translation of foreign operations	-	-	-	-	-	-	-	159	-	-	159	8	167	
Total comprehensive income for the period	-	-	-	-	-	-	-	159	101,560	-	101,719	(31)	101,688	
Equity-settled share option arrangements	-	-	-	-	-	5,205	-	-	-	-	5,205	-	5,205	
Capital contributed by a NCI	-	-	-	-	-	-	-	-	-	-	-	2,183	2,183	
2013 final and special final dividends declared	-	-	-	-	-	-	-	-	-	(326,318)	(326,318)	-	(326,318)	
At 30 June 2014	280,661	-	543*	389,848*	(186,036)*	55,597*	47,507*	(540)*	1,277,708*	-	1,865,288	4,540	1,869,828	

\* These components of equity comprise the consolidated reserves of RMB1,351,909,000 (31 December 2014: RMB1,254,380,000) in the interim condensed consolidated statement of financial position as at 30 June 2015.

**INTERIM CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS**  
**For the six months ended 30 June 2015**

		Six months ended 30 June	
		2015	2014
Notes		RMB'000	RMB'000
		(Unaudited)	(Unaudited)
Operating activities			
Profit before tax		136,461	177,020
Adjustments to reconcile profit before tax to net cash flows:			
Depreciation of property, plant and equipment	6	5,228	4,504
Depreciation of investment properties	6	146	197
Amortisation of prepaid land lease payments	6	1,023	858
Amortisation of intangible assets	6	786	786
Share-based payment expense	6	1,686	5,205
Gain on disposal of property, plant and equipment		2	49
Write-down of inventories to net realisable value	6	35,996	50,232
Share of profit and loss of joint ventures		(351)	1,000
Fair value gains, net: Derivative liabilities		4,760	1,132
Impairment of other intangible assets	6	—	11,500
Finance costs		6,806	1,042
Finance income	5	(24,565)	(28,190)
		<b>167,978</b>	225,335
Increase in inventories		(33,937)	(55,006)
Decrease in trade and bills receivables		11,146	3,313
Decrease/(Increase) in prepayments, deposits and other receivables		14,500	(497)
Decrease in trade and bills payables		(21,274)	(216)
Decrease in deposits received, other payables and accruals		(23,394)	(17,411)
PRC corporate income tax paid		(80,348)	(82,750)
Interest paid		(6,806)	—
<b>Net cash flows from operating activities</b>		<b>27,864</b>	72,768

**INTERIM CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS***(continued)***For the six months ended 30 June 2015**

	<b>Six months ended 30 June</b>	
Notes	<b>2015</b>	2014
	<b>RMB'000</b>	RMB'000
	<b>(Unaudited)</b>	(Unaudited)
<b>Investing activities</b>		
Proceeds from sale of property, plant and equipment	<b>16</b>	86
Purchase of property, plant and equipment	<b>(8,580)</b>	(58,056)
Additions to prepaid land lease payments	<b>—</b>	(3,775)
(Increase)/decrease in short term deposits with original maturity of over three months	<b>(500)</b>	59,060
Interest received from bank deposits	<b>876</b>	445
Interest received from structured bank deposits	<b>20,109</b>	18,900
(Increase)/decrease in structured bank deposits	<b>293,272</b>	(197,100)
Decrease in loan to a joint venture	<b>2,427</b>	—
<b>Net cash flows from/(used) in investing activities</b>	<b>307,620</b>	(180,440)
<b>Financing activities</b>		
Repurchase of ordinary shares	<b>(2,376)</b>	—
Proceeds from borrowings	<b>—</b>	269,828
Repayment of bank loans	<b>(268,294)</b>	—
Cash dividend paid to equity holders of the parent	<b>(101,804)</b>	(326,318)
<b>Net cash flows used in financing activities</b>	<b>(372,474)</b>	(56,490)
Net decrease in cash and cash equivalents	<b>(36,990)</b>	(164,162)
Net foreign exchange difference	<b>(859)</b>	(1,058)
Cash and cash equivalents at 1 January	<b>199,388</b>	287,764
<b>Cash and cash equivalents at 30 June</b>	<b>161,539</b>	122,544
<b>Analysis of balances of cash and cash equivalents</b>		
Cash and cash equivalents as stated in the interim condensed consolidated statement of financial position	16	<b>161,005</b>
Add: Time deposits with original maturity of less than three months when acquired, pledged as security for bank acceptance notes	<b>5,034</b>	10,928
Less: Time deposits with original maturity of over three months	<b>(4,500)</b>	(4,000)
Cash and cash equivalents as stated in the interim condensed consolidated statement of cash flows	<b>161,539</b>	122,544

## NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

30 June 2015

### 1. CORPORATE INFORMATION

The Company was incorporated in the Cayman Islands on 7 March 2011 as an exempted company with limited liability under the Companies Law, Cap. 22 (Law 3 of 1961, as consolidated and revised) of the Cayman Islands. The registered office of the Company is 190 Elgin Avenue, George Town, Grand Cayman KY1-9005, Cayman Islands. The address of its principal place of business is Room 1303, 13/F., New East Ocean Centre, 9 Science Museum Road, Tsim Sha Tsui East, Kowloon, Hong Kong. The shares of the Company were listed on the Main Board of the Stock Exchange of Hong Kong Limited (the “Stock Exchange”) on 9 December 2011 (the “Listing Date”).

The principal activity of the Company is investment holding. The Group is principally engaged in the business of design, manufacturing, marketing and sale of apparel products and accessories in the People’s Republic of China (the “PRC”, or China which excludes, for the purpose of this report, the Hong Kong Special Administrative Region of the PRC or Hong Kong, the Macau Special Administrative Region of the PRC or Macau, and Taiwan), with a focus on menswear. There has been no significant change in the Group’s principal activities during the six months ended 30 June 2015 (the “Relevant Period”).

In the opinion of the directors of the Company (the “Directors”), as at the date of this report, the immediate holding company and the ultimate holding company of the Company are CEC Outfitters Limited and China Enterprise Capital Limited, respectively, which were incorporated in the British Virgin Islands (the “BVI”).

## 2. BASIS OF PREPARATION AND ACCOUNTING POLICIES

### Basis of preparation

These interim condensed consolidated financial statements of the Group during the Relevant Period have been prepared in accordance with the applicable disclosure requirements of Appendix 16 to the Rules Governing the Listing of Securities on the Stock Exchange of Hong Kong Limited (the “Listing Rules”) and International Accounting Standard (“IAS”) 34 Interim Financial Reporting issued by the International Accounting Standards Board.

These interim condensed consolidated financial statements are presented in Renminbi (“RMB”) and all values are rounded to the nearest thousand except when otherwise indicated. These interim condensed consolidated financial statements do not include all information and disclosures required in the Group’s annual consolidated financial statements, and should be read in conjunction with the Group’s annual consolidated financial statements for the year ended 31 December 2014.

### Significant accounting policies

The accounting policies adopted in the preparation of the interim condensed consolidated financial statements are consistent with those followed in the preparation of the Group’s annual financial statements for the year ended 31 December 2014, except for the adoption of the new or revised standards, interpretation and amendments as of 1 January 2015, noted below:

Amendments to IAS 19	<i>Defined benefit plans: Employee contributions</i>
<i>Annual Improvements 2010–2012 Cycle</i>	Amendments to a number of IFRSs
<i>Annual Improvements 2011–2013 Cycle</i>	Amendments to a number of IFRSs

The adoption of the above new or revised standards, interpretation and amendments has had no material financial effect on the accounting policies of the Group and the methods of computation in the interim condensed consolidated financial statements.

The Group has not early adopted any other standard, interpretation or amendment that has been issued but is not yet effective.



### 3. OPERATING SEGMENT INFORMATION

The Group is principally engaged in the business of design, manufacturing, marketing and sale of apparel products and accessories in the PRC, with a focus on menswear.

IFRS 8 *Operating Segments* requires operating segments to be identified on the basis of internal reports about components of the Group that are regularly reviewed by the chief operating decision makers in order to allocate resources to segments and to assess their performance. The information reported to the Directors, who are the chief operating decision makers for the purpose of resource allocation and assessment of performance, does not contain profit or loss information of each product line and the Directors reviewed the financial results of the Group as a whole reported under IFRSs. Therefore, the operation of the Group constitutes one single reportable segment. Accordingly, no operating segment is presented.

All of the external revenues of the Group during the Reporting Period presented are attributable to customers established in the PRC, the place of domicile of the Group's operating entities. Since the principal non-current assets held by the Group are located in the PRC, no geographical information is presented in accordance with IFRS 8.

No revenue from a single external customer amounted to 10% or more of the Group's revenue during the Reporting Period presented.

### 4. REVENUE AND OTHER INCOME AND GAINS, NET

Revenue, which is also the Group's turnover, represents the net invoiced value of goods sold after trade discounts.

**4. REVENUE AND OTHER INCOME AND GAINS, NET** *(continued)*

An analysis of revenue, other income and gains is as follows:

	<b>Six months ended 30 June</b>	
	<b>2015</b>	2014
	<b>RMB'000</b>	RMB'000
	<b>(Unaudited)</b>	(Unaudited)
Revenue		
Sale of goods	<b>526,576</b>	541,996
Other income and gains, net		
Government subsidies*	<b>10,423</b>	14,112
Arrangement fees#	<b>350</b>	139
Rental income, net	<b>612</b>	433
Sale of consumables, net	<b>54</b>	50
Others	<b>298</b>	139
	<b>11,737</b>	14,873

\* These represent incentive subsidies provided by local governments as a measure to attract investment in these localities. The amounts of these subsidies are generally determined by reference to the value-added tax, corporate income tax, city maintenance and construction tax and other taxes paid by the Group's operating entities in these localities, but are subject to the government's further discretion.

# These represent the one-off fees paid by third-party retailers when they enter into initial retail agreements with the Group.

**5. FINANCE INCOME**

	<b>Six months ended 30 June</b>	
	<b>2015</b>	2014
	<b>RMB'000</b>	RMB'000
	<b>(Unaudited)</b>	(Unaudited)
Interest income on bank deposits	<b>876</b>	445
Interest income from structured bank deposits	<b>23,689</b>	27,745
	<b>24,565</b>	28,190

**6. PROFIT BEFORE TAX**

The Group's profit before tax is arrived at after charging/(crediting):

		<b>Six months ended 30 June</b>	
		<b>2015</b>	2014
		<b>RMB'000</b>	RMB'000
		<b>(Unaudited)</b>	(Unaudited)
Cost of inventories sold		<b>106,444</b>	102,062
Depreciation			
Property, plant and equipment	10	<b>5,228</b>	4,504
Investment properties		<b>146</b>	197
		<b>5,374</b>	4,701
Employee benefit expenses (including directors' remuneration):			
Wages and salaries		<b>48,110</b>	42,704
Equity-settled share option expenses	26	<b>1,686</b>	5,205
Pension scheme contributions		<b>6,275</b>	5,842
		<b>56,071</b>	53,751
Amortisation of prepaid land lease payments*	11	<b>1,023</b>	858
Amortisation of other intangible assets*	10	<b>786</b>	786
Impairment of other intangible assets^		<b>—</b>	11,500
Write-down of inventories to net realisable value#		<b>35,996</b>	50,232
Foreign exchange differences, net		<b>1,973</b>	1,684

\* The amortisation of prepaid land lease payments and the amortisation of other intangible assets for the period are included in "Administrative expenses" in the interim condensed consolidated statement of profit or loss and comprehensive income.

**6. PROFIT BEFORE TAX** *(continued)*

<sup>^</sup> The impairment of other intangible assets is included in “Other expenses” in the interim condensed consolidated statement of profit or loss and other comprehensive income.

<sup>#</sup> The write-down of inventories to net realisable value is included in “Cost of sales” in the interim condensed consolidated statement of profit or loss and other comprehensive income.

**7. INCOME TAX EXPENSE**

The Group is subject to income tax on an entity basis on profits arising in or derived from the jurisdictions in which members of the Group are domiciled and operate.

The Company and its subsidiary incorporated in the BVI are exempted from taxation in the BVI.

No provision for Hong Kong profits tax has been made as the Group had no assessable profits derived from or earned in Hong Kong during the Reporting Period.

In accordance with the relevant PRC income tax rules and regulations, the Group’s subsidiaries incorporated/registered in the PRC are subject to Corporate Income Tax (“CIT”) at a statutory rate of 25% on their respective taxable income for the Relevant Period and the six-month periods ended 30 June 2014.

	<b>Six months ended 30 June</b>	
	<b>2015</b>	2014
	<b>RMB'000</b>	RMB'000
	<b>(Unaudited)</b>	(Unaudited)
Current — PRC		
Charge for the period	<b>46,456</b>	66,018
Deferred	<b>(4,648)</b>	9,481
Total tax charge for the period	<b>41,808</b>	75,499

**8. DIVIDEND**

The final dividends for the year ended 31 December 2014 on ordinary shares of RMB101,804,000 were approved by shareholders of the Company at the annual general meeting on 18 May 2015 and were subsequently paid on 5 June 2015.

**9. EARNINGS PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE PARENT**

The calculation of basic earnings per share is based on the profit for the Relevant Period attributable to ordinary equity holders of the parent of RMB95,710,000 (six months ended 30 June 2014: RMB101,560,000) and the weighted average number of ordinary shares of 3,440,181,967 (six months ended 30 June 2014: 3,445,450,000) in issue during the Relevant Period.

No adjustment has been made to the basic earnings per share amounts presented for the Relevant Period in respect of a dilution as the share options under Pre-IPO Share Option Scheme (defined below) outstanding had an anti-dilutive effect on the basic earnings per share amounts presented.

	<b>Six months ended 30 June</b>	
	<b>2015</b>	2014
	<b>RMB'000</b>	RMB'000
	<b>(Unaudited)</b>	(Unaudited)
<b>Earnings</b>		
Profit attributable to ordinary equity holders of the parent, used in the basic earnings per share calculation	<b>95,710</b>	101,560

**9. EARNINGS PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE PARENT** *(continued)*

	Number of shares	
	Six months ended 30 June	
	2015	2014
<b>Shares</b>		
Weighted average number of ordinary shares in issue	<b>3,445,450,000</b>	3,445,450,000
Weighted average number of shares purchased for the Share Award Scheme	<b>(5,268,033)</b>	—
Adjusted weighted average number of ordinary shares in issue used in the basic earnings per share calculation	<b>3,440,181,967</b>	3,445,450,000

**10. PROPERTY, PLANT AND EQUIPMENT AND OTHER INTANGIBLE ASSETS**

	Property, plant and equipment RMB'000	Other intangible assets RMB'000
<b>Unaudited</b>		
Opening net book amount at 1 January 2015	<b>207,367</b>	<b>112,697</b>
Additions	<b>15,704</b>	—
Disposals	<b>(18)</b>	—
Depreciation and amortisation provided during the period	<b>(5,228)</b>	<b>(786)</b>
Impairment	—	—
Exchange realignment	<b>(8)</b>	<b>(33)</b>
Closing net book amount at 30 June 2015	<b>217,817</b>	<b>111,878</b>
<b>Audited</b>		
Opening net book amount at 1 January 2014	128,243	125,418
Additions	88,785	—
Disposals	(98)	—
Depreciation and amortisation provided during the year	(9,585)	(1,572)
Impairment	—	(11,500)
Exchange realignment	22	351
Closing net book amount at 31 December 2014	207,367	112,697

## 10. PROPERTY, PLANT AND EQUIPMENT AND OTHER INTANGIBLE ASSETS *(continued)*

As at 30 June 2015, a certificate of ownership in respect of a warehouse in Chengdu with a net carrying amount of approximately RMB5,964,000 (31 December 2014: RMB6,143,000), a certificate of ownership in respect of a warehouse in Shanghai Fengjing with a net carrying amount of approximately RMB94,377,000 (31 December 2014: Nil) have not been issued by the relevant PRC authorities. The Group is in the process of obtaining the certificate.

## 11. PREPAID LAND LEASE PAYMENTS

	<b>30 June 2015</b>	31 December 2014
	<b>RMB'000</b>	RMB'000
	<b>(Unaudited)</b>	(Audited)
Opening net book amount	<b>89,805</b>	77,812
Additions	<b>—</b>	13,885
Amortisation charged during the period/ year	<b>(1,023)</b>	(1,892)
Closing net book amount	<b>88,782</b>	89,805
Current portion included in prepayments, deposits and other receivables	<b>(1,678)</b>	(1,669)
Non-current portion	<b>87,104</b>	88,136

The Group's leasehold land is situated in the PRC and is held under a medium term lease.

As at 30 June 2015, a certificate of use right in respect a piece of land in Shanghai with net carrying amounts of approximately RMB35,730,000 (31 December 2014: RMB36,105,000), respectively, have not been issued by the relevant PRC authorities. The Group is in the process of obtaining the certificate.

**12. INVENTORIES**

	<b>30 June 2015 RMB'000 (Unaudited)</b>	31 December 2014 RMB'000 (Audited)
Raw materials	<b>13,290</b>	15,855
Work in progress	<b>9,600</b>	9,307
Finished goods	<b>388,047</b>	384,199
	<b>410,937</b>	409,361

**13. TRADE AND BILLS RECEIVABLES**

The Group's trading terms with its customers are mainly on credit, except for third-party retailers, where payment in advance is normally required. The credit period normally ranges from 30 to 90 days. The Group grants a longer credit period to those long-standing customers with good payment history.

Each customer has a maximum credit limit. The Group seeks to maintain strict control over its outstanding receivables. Overdue balances are reviewed regularly by senior management.

In view of the fact that the Group's trade and bills receivables relate to a large number of diversified customers, there is no significant concentration of credit risk. The Group does not hold any collateral or other credit enhancements over these balances.

Trade receivables are unsecured, non-interest-bearing and the carrying amounts of the trade and bills receivables approximate to their fair values.



**13. TRADE AND BILLS RECEIVABLES** *(continued)*

An aged analysis of the trade receivables as at 30 June 2015 and 31 December 2014, based on the invoice date and net of provision and the balances of bills receivable, is as follows:

	<b>30 June 2015 RMB'000 (Unaudited)</b>	31 December 2014 RMB'000 (Audited)
Trade receivables		
Within 60 days	<b>109,220</b>	117,127
61 to 90 days	<b>1,364</b>	1,763
91 to 180 days	<b>2,269</b>	2,032
181 to 360 days	<b>2,124</b>	2,262
Over 360 days	<b>673</b>	558
	<b>115,650</b>	123,742
Bills receivable	<b>2,159</b>	5,213
	<b>117,809</b>	128,955

**14. PREPAYMENTS, DEPOSITS AND OTHER RECEIVABLES**

	<b>30 June 2015 RMB'000 (Unaudited)</b>	31 December 2014 RMB'000 (Audited)
Prepayments	<b>29,810</b>	31,066
Deposits and other receivables	<b>35,423</b>	45,087
	<b>65,233</b>	76,153

Other receivable of RMB1,800,000, as at 30 June 2015 and 31 December 2014, was impaired and fully provided for. The individually impaired other receivable related to a debt that was default in payments. The Group does not hold any collateral or other credit enhancements over the balance.

**14. PREPAYMENTS, DEPOSITS AND OTHER RECEIVABLES** *(continued)*

The above balances are unsecured, non-interest-bearing and repayable on demand.

The carrying amounts of the other receivables which are neither past due nor impaired and included in the above balances relate to receivables for which there was no recent history of default. The carrying amounts of the financial assets included in the above balances approximate to their fair values.

**15. STRUCTURED BANK DEPOSITS**

	<b>30 June 2015</b>	31 December 2014
	<b>RMB'000</b>	RMB'000
	<b>(Unaudited)</b>	(Audited)
Structured bank deposits, in licensed banks in Mainland China, at amortised cost	<b>414,428</b>	707,700

The structured bank deposits have terms of less than one year.

No structured bank deposits is pledged to secure the short term bank loans at 30 June 2015 (31 December 2014: RMB275,200,000).

## 16. PLEDGED BANK DEPOSITS AND CASH AND CASH EQUIVALENTS

	<b>30 June 2015</b>	31 December 2014
	<b>RMB'000</b>	RMB'000
	<b>(Unaudited)</b>	(Audited)
Cash and bank balances	<b>156,505</b>	186,154
Time deposits	<b>428,429</b>	436,098
	<b>584,934</b>	622,252
Less: Bank deposits pledged*	<b>(423,929)</b>	(432,098)
Cash and cash equivalents as stated in the interim condensed consolidated statement of financial position	<b>161,005</b>	190,154

\* Bank deposits are pledged for secure the forward contract and for issuing bank acceptance notes.

At the end of the Reporting Period, the cash and bank balances and time deposits of the Group denominated in RMB amounted to RMB584,934,000 (31 December 2014: RMB525,732,000). The RMB is not freely convertible into other currencies, however, under the PRC's Foreign Exchange Control Regulations and Administration of Settlement, Sale and Payment of Foreign Exchange Regulations, the Group is permitted to exchange RMB for other currencies through banks authorised to conduct foreign exchange business.

Cash at banks earns interest at floating rates based on daily bank deposit rates. Short term deposits are made for varying periods of between three months and twelve months depending on the immediate cash requirements of the Group, and earn interest at the respective short term deposit rates. The bank balances and short term deposits are deposited with creditworthy banks with no recent history of default.

**17. SHORT-TERM BANK LOANS**

	<b>30 June 2015</b>	31 December 2014
	<b>RMB'000</b>	RMB'000
	<b>(Unaudited)</b>	(Audited)
Short-term Bank Loans	<b>378,533</b>	646,827

Short-term loans outstanding as of 30 June 2015 represent HK\$ denominated bank borrowings of HK\$480,000,000, obtained from financial institutions in Hong Kong. These bank borrowings are secured by RMB denominated pledged bank deposits placed with financial institutions in China of RMB401,564,000 as at 30 June 2015. Pledged deposits were classified as "Structured bank deposits" on the consolidated balance sheets as at 30 June 2015. The short-term bank borrowings are repayable on demand and bear interest at rates ranging from HongKong InterBank Offered Rate ("HIBOR") plus 1.80%.

**18. TRADE AND BILLS PAYABLES**

An aged analysis of the trade payables as at 30 June 2015 and 31 December 2014, based on the invoice date, and the balances of bills payable, is as follows:

	<b>30 June 2015</b>	31 December 2014
	<b>RMB'000</b>	RMB'000
	<b>(Unaudited)</b>	(Audited)
Trade payables		
Within 30 days	<b>16,861</b>	36,517
31 to 90 days	<b>12,465</b>	11,315
91 to 180 days	<b>919</b>	395
181 to 360 days	<b>1,988</b>	809
over 360 days	<b>382</b>	—
	<b>32,615</b>	49,036
Bills payable	<b>97</b>	4,950
	<b>32,712</b>	53,986

The trade payables are non-interest-bearing and are normally settled on terms of 30 to 45 days. The bills payable are all due within 60 days.

**19. DEPOSITS RECEIVED, OTHER PAYABLES AND ACCRUALS**

	<b>30 June 2015 RMB'000 (Unaudited)</b>	31 December 2014 RMB'000 (Audited)
Advances from customers	<b>54,440</b>	67,150
Other payables	<b>34,456</b>	32,396
Accruals	<b>5,304</b>	6,856
Other taxes payable	<b>5,701</b>	9,770
	<b>99,901</b>	116,172

The other payables are non-interest-bearing and are due within one year.

**20. ISSUED CAPITAL**

	<b>30 June 2015 HK\$'000 (Unaudited)</b>	31 December 2014 HK\$'000 (Audited)
Authorised:		
1,000,000,000,000 (31 December 2014: 1,000,000,000,000) ordinary shares of HK\$0.1 each	<b>100,000,000</b>	100,000,000
Issued and fully paid:		
3,445,450,000 (31 December 2014: 3,445,450,000) ordinary shares of HK\$0.1 each	<b>344,545</b>	344,545
Equivalent to RMB'000	<b>280,661</b>	280,661

There was no movement of issued share capital during the Reporting Period.

## 21. SHARE OPTION SCHEME

The Company adopted a pre-IPO share option scheme (the “Pre-IPO Share Option Scheme”) and a share option scheme (the “Share Option Scheme”), approved by the written resolutions of the shareholders passed on 25 November 2011. The terms and conditions of the share option schemes are disclosed in the consolidated financial statements for the year ended 31 December 2012.

### Pre-IPO Share Option Scheme

A summary of option movements during the Reporting Period is presented below:

	Six months ended 30 June 2015		Six months ended 30 June 2014	
	Weighted average exercise price HK\$ per share	Number of options	Weighted average exercise price HK\$ per share	Number of options
At the beginning& end of period/year	1.64	168,024,000	1.64	199,224,000

The Group recognised a share option expenses of RMB1,686,000 in the Reporting Period (six months ended 30 June 2014: RMB5,205,000).

No share option was exercised during the Reporting Period. As at 30 June 2015, the Company had 168,024,000 share options outstanding under the Pre-IPO Share Option Scheme. The exercise in full of the outstanding share options would, under the present capital structure of the Company, result in the issue of 168,024,000 additional ordinary shares of the Company and additional share capital of HK\$16,802,400 (equivalent to RMB13,253,000) and share premium of HK\$258,756,960 (equivalent to RMB204,100,000) (before issue expenses).

At the date of approval of these interim condensed consolidated financial statements, the Company had 168,024,000 share options outstanding under the Pre-IPO Share Option Scheme, which represented approximately 4.88% of the Company's shares in issue as at that date.

**21. SHARE OPTION SCHEME** *(continued)*

**Share Option Scheme**

As at 30 June 2015 and the date of approval of these interim condensed consolidated financial statements, no share option was granted and outstanding under the Share Option Scheme.

**22. SHARE AWARD SCHEME**

The Company adopted a share award scheme (the “Share Award Scheme”), approved by the resolutions of the Board passed on 4 November 2014.

The specific purposes and objectives of the Share Award Scheme are to:

- (a) recognise the contributions by certain employees and to give incentives to them in order to retain them for the continual operation and development of the Group; and
- (b) attract suitable personnel for further development of the Group.

To facilitate the implementation of the Share Award Scheme, a trust Deed is entered into by the Group and South Zone Holding Limited (the “Trustee”) pursuant to which the Trustee shall purchase and hold shares for the benefit of certain employees of the Group and any subsidiary and in such manner as the Board may determine from time to time.

The Trustee purchased 3,392,000 shares of the Company at a total cost (including related transaction costs) of HK\$3,036,504 (equivalent to RMB2,376,000) during the period ended 30 June 2015 (six months ended 30 June 2014: Nil).

The Board did not yet grant any shares to any employees from 4 November 2014 to 30 June 2015.

**23. OPERATING LEASE ARRANGEMENTS****(a) As lessor**

The Group leases its investment properties under operating lease arrangements, with leases negotiated for terms ranging from one to four years.

At 30 June 2015, the Group had total future minimum lease receivables under non-cancellable operating leases with its tenants falling due as follows:

	<b>30 June 2015 RMB'000 (Unaudited)</b>	31 December 2014 RMB'000 (Audited)
Within one year	<b>486</b>	432
In the second to fifth years, inclusive	<b>3,739</b>	864
	<b>4,225</b>	1,296

**(b) As lessee**

The Group leases certain of its retail outlets and office premises under non-cancellable operating lease arrangements. Leases for properties are negotiated for terms ranging from one to three years.

At 30 June 2015, the Group had total future minimum lease payments under non-cancellable operating leases falling due as follows:

	<b>30 June 2015 RMB'000 (Unaudited)</b>	31 December 2014 RMB'000 (Audited)
Within one year	<b>10,245</b>	8,140
In the second to fifth year, inclusive	<b>6,250</b>	8,432
	<b>16,495</b>	16,572



## 24. COMMITMENTS

In addition to the operating lease commitments detailed in note 23(b) above, the Group had the following capital commitments at the end of the Reporting Period:

	<b>30 June 2015 RMB'000 (Unaudited)</b>	31 December 2014 RMB'000 (Audited)
Contracted, but not provided for:		
Lands and buildings	<b>6,307</b>	14,134
	<b>6,307</b>	14,134

## 25. CONTINGENT LIABILITIES

The Group had no significant contingent liabilities as at 30 June 2015 and 31 December 2014.

## 26. RELATED PARTY TRANSACTIONS

Compensation of key management personnel of the Group, including directors' remuneration, is as follows:

	<b>Six months ended 30 June</b>	
	<b>2015 RMB'000 (Unaudited)</b>	2014 RMB'000 (Unaudited)
Fees	<b>1,460</b>	1,340
Salaries, allowances and benefits in kind	<b>1,991</b>	2,218
Equity-settled share option expenses	<b>1,686</b>	5,205
Pension scheme contributions	<b>72</b>	82
Total compensation paid to key management personnel	<b>5,209</b>	8,845

**26. RELATED PARTY TRANSACTIONS** *(continued)*

None of the transactions with related parties as described above falls under the definition of “connected transaction” or “continuing connected transaction” under Chapter 14A of the Listing Rules.

**27. EVENT AFTER THE REPORTING PERIOD**

There have been no events subsequent to period end which require adjustment of or disclosure in the financial statements or notes thereto.

**28. APPROVAL OF THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS**

These unaudited interim condensed consolidated financial statements of the Group for the Reporting Period were approved and authorised for issue in accordance with a resolution of the board of directors on 24 August 2015.

## MANAGEMENT DISCUSSION AND ANALYSIS

### MARKET OVERVIEW

The Relevant Period continued to be challenging. Amid the continuous slowdown of China's macro-economy, demonstrated by the weakest Gross Domestic Product growth rate ("GDP") of 7.0% for the past 25 years since 1990. The total retail sales of consumer products only increased by 10.4% in the Relevant Period, representing a fall by 1.7 percentage points from 12.1% in corresponding period in 2014.

Confronted with the weak market sentiment and the increasing competitive market place, the Group reported a decline in revenue by 2.8% from RMB542.0 million in the six months ended 30 June 2014 to RMB526.6 million in the Relevant Period and a decline in profit attributable to owners of the parent by 5.8% from RMB101.6 million in the six months ended 30 June 2014 to RMB95.7 million in the Relevant Period.

### FINANCIAL REVIEW

#### Revenue

The Group recorded revenue of RMB526.6 million in the Relevant Period representing a decrease by RMB15.4 million, or approximately 2.8% as compared to RMB542.0 million in the six months ended 30 June 2014.

#### *By sales channel*

Revenue from self-operated retail sales increased by RMB8.2 million, or 2.2%, from RMB367.0 million in the six months ended 30 June 2014 to RMB375.2 million in the Relevant Period and accounted for approximately 71.3% (1H2014: 67.7%) of total revenue. The increase in revenue was primarily due to the increase in number of self-operated retail points to 670 as of 30 June 2015, as a result of our expansion in new brands and partially offset by the decrease in same store sales by 3.8% due to continuous decrease in customer traffic flows in mainstream department stores in the first to second tier cities where a majority of our self-operated retail points are located. During the Relevant Period, we committed to our multi-channel strategy in response to the evolving consumption behavior and we saw higher growth in sales from outlet stores. Revenue from outlet stores increased by RMB12.0 million, or 16.6%, from RMB72.1 million in the six months ended 30 June 2014 to RMB84.1 million in the Relevant Period.

**FINANCIAL REVIEW** *(continued)***Revenue** *(continued)**By sales channel (continued)*

Revenue from sales to third-party retailers decreased by RMB31.0 million, or 19.6%, from RMB158.5 million in the six months ended 30 June 2014 to RMB127.5 million in the Relevant Period and accounted for approximately 24.2% (1H2014: 29.3%) of total revenue. The decrease in revenue was primarily attributable to (i) the decrease in retail points operated by third-party retailers as they became more conservative under the current sluggish retail market; (ii) the austerity measures advocated by the new leadership of the central government; and (iii) e-commerce presenting more choices to consumers in the third and fourth tier cities in China, thus impacting conventional retailers.

We launch our e-commerce business for selling off-season products online in 2013, and our progress in this regard has been encouraging. Revenue from e-commerce business increased by RMB7.4 million, or 44.8%, from RMB16.5 million in the six months ended 30 June 2014 to RMB23.9 million in the Relevant Period and accounted for approximately 4.5% (1H2014: 3.0%) of total revenue. The increase in revenue from e-commerce business was primarily attributable to (i) the increase in sales from online discount platform such as VIP.com, from RMB5.9 million in the six months ended 30 June 2014 to RMB11.4 million in the Relevant Period; and (ii) increase in sales from self-operated e-commerce platforms from RMB2.5 million in the six months ended 30 June 2014 to RMB3.8 million in the Relevant Period.

**FINANCIAL REVIEW** *(continued)*

**Revenue** *(continued)*

*By sales channel (continued)*

The table below sets forth the breakdown of the Group revenue contributed by sales made through our self-operated retail points, sales to third-party retailers and sales from e-commerce business:

	<b>Six months ended 30 June</b>			
	<b>2015</b>		2014	
	<b>Revenue</b>	<b>% of total</b>	Revenue	% of total
	<b>RMB million</b>	<b>revenue</b>	RMB million	revenue
Retail sales from self-operated retailers	<b>375.2</b>	<b>71.3%</b>	367.0	67.7%
Sales to third-party retailers	<b>127.5</b>	<b>24.2%</b>	158.5	29.3%
Sales from e-commerce business	<b>23.9</b>	<b>4.5%</b>	16.5	3.0%
<b>Total</b>	<b>526.6</b>	<b>100.0%</b>	542.0	100.0%

*By Brand*

Revenue contributed from self-owned brands increased by RMB12.7 million, or approximately 48.5%, from RMB26.2 million in the six months ended 30 June 2014 to RMB38.9 million in the Relevant Period. Percentage of revenue from self-owned brands over total revenue has increased from 4.8% in the six months ended 30 June 2014 to 7.4% in the Relevant Period. Revenue from our new brands such as London Fog, Jeep Spirit, MCS etc., which were introduced into the PRC menswear market after 2009, increased by RMB22.2 million, or approximately 40.7%, from RMB54.6 million in the six months ended 30 June 2014 to RMB76.8 million in the Relevant Period. Percentage of revenue from new brands over total revenue has been increased from 10.1% in the six months ended 30 June 2014 to 14.6% in the Relevant Period.

**FINANCIAL REVIEW** (continued)**Revenue** (continued)*By Brand* (continued)

The table below sets forth our revenue by licensed brands and self-owned brands:

	<b>Six months ended 30 June</b>			
	<b>2015</b>		<b>2014</b>	
	<b>Revenue</b>	<b>% of total</b>	Revenue	% of total
	<b>RMB million</b>	<b>revenue</b>	RMB million	revenue
Licensed brands	<b>487.7</b>	<b>92.6%</b>	515.8	95.2%
Self-owned brands	<b>38.9</b>	<b>7.4%</b>	26.2	4.8%
<b>Total</b>	<b>526.6</b>	<b>100.0%</b>	542.0	100.0%

**Cost of sales**

Our cost of sales decreased by RMB9.9 million, or approximately 6.5%, from RMB152.3 million in the six months ended 30 June 2014 to RMB142.4 million in the Relevant Period. The decrease in cost of sales was primarily due to decrease in inventory provision by RMB14.2 million from RMB50.2 million in the six months ended 30 June 2014 to RMB36.0 million in the Relevant Period.

**Gross profit and gross profit margin**

Our gross profit decreased by RMB5.6 million, or approximately 1.4%, from RMB389.7 million in the six months ended 30 June 2014 to RMB384.1 million in the Relevant Period as a result of the decrease in total revenue. Our overall gross profit margin was largely consisted for the both periods indicated.

**Other income and gains, net**

Our other income and gains decreased by RMB3.2 million, or approximately 21.5%, from RMB14.9 million in the six months ended 30 June 2014 to RMB11.7 million in the Relevant Period, primarily due to the receipt of subsidy income decreased by RMB3.7 million from RMB14.1 million in the six months ended 30 June 2014 to RMB10.4 million in the Relevant Period.

**FINANCIAL REVIEW** *(continued)*

**Selling and distribution costs**

Our selling and distribution costs increased by RMB32.8 million, or approximately 15.6%, from RMB210.5 million in the six months ended 30 June 2014 to RMB243.3 million in the Relevant Period.

Concession fees for occupying concession counters within department stores increased by RMB1.0 million, or approximately 0.9%, from RMB107.6 million in the six months ended 30 June 2014 to RMB108.6 million in the Relevant Period, which were largely due to the increase in number of self-operated retail points and the increase in sales from self-operated retail points.

The increase of labour costs in relation to sales and marketing staff from RMB37.3 million in the six months ended 30 June 2014 to RMB44.3 million in the Relevant Period was primarily attributable to the increase in sales and marketing staff due to the increase in number of self-operated retail points as well as increment in basic salary.

Advertising and promotion expenses of RMB5.8 million (1H2014: RMB6.3 million) incurred in the Relevant Period for organizing promotion activities and marketing spending on advertising on fashion magazines and expressway billboards.

Decoration expenses for renovation of the self-operated retail points increased from RMB4.5 million in the six months ended 30 June 2014 to RMB11.3 million in the Relevant Period primarily due to the increase in number of self-operated retail points and relatively high decoration expenses incurred for new brands stores such as Barbour, MCS etc. due to high decoration standards.

Other selling and distribution costs, including royalty fees, sample expenses, travelling expenses, office expenses and other operating expenses remain consisted during the both periods indicated.

**Administrative expenses**

Our administrative expenses decreased by RMB3.7 million, or approximately 12.8%, from RMB28.9 million in the six months ended 30 June 2014 to RMB25.2 million in the Relevant Period, primarily due to the decrease in amortization of share option expense under the Pre-IPO share option scheme by RMB3.5 million.

## **FINANCIAL REVIEW** *(continued)*

### **Other expenses**

Other expenses of RMB9.0 million represented foreign exchange losses and changes in fair values of derivative financial instruments.

During the Relevant Period, foreign exchange loss of RMB4.2 million was mainly due to the depreciation of Renminbi against Hong Kong Dollars and disposal of part of the forward contracts.

For the purpose of hedging the exchange risk arising from the short-term bank loans denominated in Hong Kong dollars, the Group had entered into various forward contracts with the bank. Changes in fair values of derivative financial statements of RMB4.8 million was included in "Other expenses" in the interim condensed consolidated statement of profit or loss and other comprehensive income.

### **Finance income**

Our finance income decreased to RMB24.6 million in the Relevant Period as compared to that of RMB28.2 million in the six months ended 30 June 2014, representing a decrease by 12.8%, primarily due to the decrease in balances of pledged deposits, structured bank deposits and cash and cash equivalents.

### **Finance costs**

The Group obtained overseas short-term bank loans from financial institutions in Hong Kong. Finance costs of RMB6.8 million (1H2014: RMB1.0 million) represented bank interest expenses incurred in relation to the above bank loans in the Relevant Period.

### **Share of profits from joint ventures**

Share of profits from joint ventures represented share of profit from a joint venture — MCS of RMB0.5 million (1H2014: loss of RMB1.0 million) and partially offset by share of losses from a joint venture — Henry Cotton's of RMB0.2 million (1H2014: nil). The losses of Henry Cotton's in the Relevant Period mainly represented startup costs incurred for preparation of the launch of the first season products of Henry Cotton's in third quarter of 2015.

### **Profit before tax**

As a result of the foregoing factors, our profit before tax decreased by RMB40.5 million, or approximately 22.9%, from RMB177.0 million in the six months ended 30 June 2014 to RMB136.5 million in the Relevant Period.



## FINANCIAL REVIEW *(continued)*

### Income tax expense

Income tax expense decreased by RMB33.7 million, or approximately 44.6%, from RMB75.5 million in the six months ended 30 June 2014 to RMB41.8 million in the Relevant Period primarily due to (i) no special dividends were proposed in the Relevant Period and led to a decrease in withholding tax on distributable profits of the subsidiaries in China by RMB25.0 million; and (ii) decrease in current income tax profit by RMB19.5 million, or approximately 29.5%, from RMB66.0 million in the six months ended 30 June 2014 to RMB46.5 million in the Relevant Period due to the decrease in profit before tax. The effective income tax rate in the Relevant Period was 30.6% (1H2014: 42.7%).

### Profit for the period

Profit for the period decreased by RMB6.8 million, or approximately 6.7%, from RMB101.5 million in the six months ended 30 June 2014 to RMB94.7 million in the Relevant Period. Net profit margin remained consisted during the both periods indicated.

### Profit attributable to ordinary equity holders of the parent

As a result of the foregoing, profit attributable to ordinary equity holders of the parent decreased by RMB5.9 million, or approximately 5.8%, from RMB101.6 million in the six months ended 30 June 2014 to RMB95.7 million in the Relevant Period.

### Working Capital Management

	30 June 2015	31 December 2014
Inventory turnover days	518	430
Trade receivables turnover days	43	40
Trade payables turnover days	52	42

The increase in inventory turnover by 88 days was mainly due to increase in inventory turnover days for inventories aged within one year by 75 days resulting from the expansion of our new brands, increase in number of our self-operated retail points and decrease in sales due to continuous sluggishness of conventional retail market.

The turnover days of trade receivables and trade payables were consisted during the both periods indicated.

**FINANCIAL REVIEW** *(continued)***Liquidity, financial position and cash flows**

As at 30 June 2015, we had net current assets of approximately RMB928.3 million, as compared to RMB978.9 million as at 31 December 2014. The current ratio, being current assets divided by current liabilities, of our Group was 2.4 as at 30 June 2015, as compared to that of 2.0 as at 31 December 2014.

As at 30 June 2015, the Group had secured banking facilities of RMB378.5 million and there was no undrawn banking facilities.

As at 30 June 2015, we had an aggregate cash and cash equivalents and structured bank deposits of approximately RMB999.3 million. The table below sets forth selected cash flow data from our consolidated statement of cash flows:

	<b>Six months ended 30 June</b>	
	<b>2015</b>	2014
	<b>RMB million</b>	RMB million
Net cash flows from operating activities	<b>27.9</b>	72.7
Net cash flows from/(used in) investing activities	<b>307.6</b>	(180.4)
Net cash flows used in financing activities	<b>(372.5)</b>	(56.5)
Net decrease in cash and cash equivalents	<b>(37.0)</b>	(164.2)
Effect of foreign exchange rate changes, net	<b>(0.9)</b>	(1.1)
Cash and cash equivalents at the beginning of the period	<b>199.4</b>	287.8
Cash and cash equivalents at the end of the period	<b>161.5</b>	122.5

*Operating activities*

Net cash flows from operating activities decreased by RMB44.8 million from RMB72.7 million in the six months ended 30 June 2014 to RMB27.9 million in the Relevant Period which was primarily attributable to (i) the operating cash inflows before changes in working capital of RMB168.0 million (1H2014: RMB225.3 million); and (ii) changes in working capital represented decrease of cash of RMB140.1 million (1H2014: RMB152.6 million).

## **FINANCIAL REVIEW** *(continued)*

### **Liquidity, financial position and cash flows** *(continued)*

#### *Investing activities*

Net cash flows from investing activities of RMB307.6 million in the Relevant Period mainly represented recovery of investments in structured bank deposits of RMB293.3 million and receipt of interest income of RMB20.1 million.

#### *Financing activities*

Net cash flows used in financing activities represented payment of 2014 final dividends of RMB101.8 million (1H2014: RMB326.3 million) and repayment of short-term bank loans of RMB268.3 million.

### **Pledge of group assets**

As at 30 June 2015, short-term bank deposits of RMB423.9 million have been pledged as security for obtaining banking facilities, forward contracts and issuance of bank acceptance notes of the Group.

### **Capital commitments and contingent liabilities**

The Group did not have any significant capital commitments and contingent liabilities as at 30 June 2015.

### **Foreign exchange management**

We conduct business primarily in Hong Kong and PRC with most of our transactions denominated and settled in Hong Kong dollars ("HK\$") and RMB. To minimise foreign-exchange risks, the Group has a hedging policy in place.

### **Use of proceeds from the IPO**

The shares of the Company were listed on 9 December 2011 on the Stock Exchange. The total net proceeds from the IPO amounted to approximately HK\$803.9 million (equivalent to approximately RMB654.8 million), including the net proceeds from the partial exercise of the over-allotment option on 30 December 2011.

In the Relevant Period, an aggregate of HK\$8.3 million (equivalent to RMB6.6 million) was used for the construction of the logistic centers in Shanghai.

**FINANCIAL REVIEW** *(continued)***Use of proceeds from the IPO** *(continued)*

The table below sets forth the utilisation of the net proceeds from the IPO and the unused amount as at 30 June 2015. All the unused proceeds were deposited into licensed banks in the PRC and Hong Kong:

*Use of fund raised*

	<b>Percentage to total amount</b>	<b>Net proceeds</b> (HK\$ million)	<b>Utilised amount as at 30 June 2015</b> (HK\$ million)	<b>Unutilised amount as at 30 June 2015</b> (HK\$ million)
Licensing or acquisition of additional recognised international brands	47%	380.7	210.2	170.5
Expansion and enhancement of existing logistical system	24%	193.1	181.5	11.6
Settlement of shareholder's loan	19%	152.8	147.1	5.7
General working capital	10%	77.3	—	77.3
	100%	803.9	538.8	265.1

## OPERATION REVIEW

### Retail and distribution network

As at 30 June 2015, our sales network comprised a total of 670 self-operated retail points, comprising concession counters, consignment stores and self-operated stores, and 559 retail points operated by our third-party retailers.

The following table sets forth the number of our self-operated retail points and retail points operated by our third-party retailers in the PRC by brand as at 30 June 2015 and 31 December 2014:

Brand	As at 30 June 2015			As at 31 December 2014		
	Self-operated retail points	Retail points operated by third-party retailers	Total retail points	Self-operated retail points	Retail points operated by third-party retailers	Total retail points
Jeep						
— Menswear	210	474	684	205	511	716
— Spirit*	71	18	89	74	21	95
SBPRC	200	60	260	196	118	314
London Fog	63	2	65	59	4	63
Barbour	11	1	12	6	—	6
LINCS	23	1	24	14	—	14
MCS	41	—	41	30	—	30
Zoo York	16	3	19	7	—	7
Others	35	—	35	36	—	36
<b>Total</b>	<b>670</b>	<b>559</b>	<b>1,229</b>	<b>627</b>	<b>654</b>	<b>1,281</b>

\* including 47 and 71 retail points of Jeep lady as at 30 June 2015 and 31 December 2014, respectively

**OPERATION REVIEW** *(continued)***Retail and distribution network** *(continued)**Self-operated retail points*

As at 30 June 2015, we had a network of 642 self-operated concession counters (31 December 2014: 611 self-operated concession counters). A majority of the concession counters are located within mainstream department stores in the first and second tier cities in China, including Parkson (百盛), Golden Eagle (金鷹), MOI (茂業), Intime (銀泰), Wangfujing (王府井) and etc, among which a total of 119 were outlet stores as at 30 June 2015 (31 December 2014: 110 outlet stores);

As at 30 June 2015, we had a network of 28 stores (31 December 2014: 16 stores) which were located in shopping malls within major cities in the PRC to ensure a steady flow of consumers as well as to enhance our sales and brand awareness.

Faced with the changing market landscape and evolving consumer behavior, we remained committed to our channel strategy by:

- a net increase by 9 outlet stores in response to changes in consumer behavior and rapid sales growth in outlet store channel;
- opening 32 new retail points for the expansion and development of our new brands such as Manhattan, Maxim's, MCS, Barbour, LINCS and Zoo York in the Relevant Period.

*Retail points operated by third party retailers*

Under current uncertain and ever-changing market, our third-party retailers became more prudent and conservative in placing orders and opening new stores. As at 30 June 2015, we had total 559 retail points that were operated by third-party retailers, representing a decrease by 14.5% as compared to that of 654 at 31 December 2014.

*E-commerce*

We launched our e-commerce business in 2013 and sold off-season products through online sales channels. In the Relevant Period, we actively organized sales fairs on online discount platform such as VIP.com, developed more online third-party retailers for online retailing of our products and increased sales from our self-operated e-shops on popular e-commerce platforms such as JD.com and Tmall.com.

## OPERATION REVIEW *(continued)*

### Branding

The continuing implementation of a multi-brand strategy is critical to our sustainable expansion and growth. We believe that our multi-brand strategy will allow us to capture more market segments, take advantage of a wider range of market opportunities and ultimately increase our overall market share in China's menswear market. Our diversification initiatives in brand portfolio during the Relevant Period included the followings:

#### *MCS*

During the Relevant Period, MCS sponsored the program “Gourmet Big Trump Card (美食大王牌)” from Shanghai Channel Young. Mr. Ah Nan, the program host, put on the MCS clothes to prepare experimental new dishes with other guests in the kitchen.

In June 2015, as one of the sponsors for the popular movie “A Time for Consequences” already on show in the cinema, MCS has provided some of the clothes for Mr. Jason Wu and Mr. Simon Yam, the two prominent actors in the movie. Their image of “real man” in the movie has fully reflected the brand image of MCS.

In June 2015, Hangzhou Liuchin Art Space organized its first exhibition of art space — “Wuxing Liuchin”. In particular, MCS as the special guest together with 5 artists from China Academy of Art — the top academy of art in China to stage a live “encounter” for Chinese traditional art of painting and Western fashion for the guests on the scene.

On 29 June 2015, MCS held a fashion show for its 2016 Spring and Summer New Collection at Shanghai Poly Grand Theatre. Over 150 celebrities attended the fashion show and the event has been reported extensively by the mainstream fashion media.

**OPERATION REVIEW** *(continued)*

**Branding** *(continued)*

*LINCS*

During the Relevant Period, LINCS sponsored the clothes for China Entrepreneur Golf Team established by China Entrepreneur Club (中國企業家俱樂部) in 2007, and also sponsored the award for the “Longest Drive Prize” in the golf event “BMW Daonong Cup” Challenge, the leading amateur golf event in China. These activities aim to create the elegant and exquisite lifestyle of LINCS with golf and the high-end club in the background.

*Barbour*

On 28 and 29 January 2015, we held the English afternoon tea gathering under the theme of Barbour in Shanghai and Beijing. Global CEO and President of Asia-Pacific region of Barbour arrived at the scene and displayed Barbour products and the history of its brand operation for over 120 years to the honorable guests and customers attending the event.

*Zoo York*

On 18 April 2015, China’s professional ultimate sports event — ACTION TIME Ultimate Sports Challenge was held in Shanghai. As one of the sponsors for this event, Zoo York Brand launched exhibition sales in the creative market and invited the professional graffiti artist to paint the graffiti wall on the scene, so as to show to the audience the culture of Zoo York Brand.

The Zoo York skateboard team from the United States of America toured Shanghai, Chengdu and Beijing with their live shows from 28 June to 7 July 2015 and interacted with local skateboard lovers on the spot. The event has aroused extensive attention amidst China’s skateboard lovers and professional media.



## **OPERATION REVIEW** *(continued)*

### **Design and product development**

The local design team kept abreast of the latest trends and developments in new designs, through our collaboration with the international design teams from MCS and Henry Cotton's in Milan, Barbour in London, LINC'S in New York and Zoo York in Hong Kong.

### **Production and supply chain**

In the Relevant Period, the construction of the logistic centre with a total gross floor area of 55,000 square meters in Shanghai has completed. The Directors believe that with the operation of the new logistic centre, product distribution between logistic centre and retail points nationwide will be more accurate, thus improving supply chain efficiency. The positing of products in warehouses through our self-developed positing system and personal digital assistant system was also well under way and will significantly improve efficiency of order-picking process in warehouses, and transformed our warehousing system into a B2C logistics center for direct distribution to consumers.

### **Employee information**

As at 30 June 2015, the Group had approximately 2,965 full-time employees. Staff costs, including Directors' remuneration, totalled RMB56.1 million in the Relevant Period (1H2014: RMB53.8 million).

The Company also operated a share option scheme (the "Share Option Scheme") and a pre-IPO share option scheme (the "Pre-IPO Share Option Scheme") for the purpose of providing incentives and rewards to eligible participants for their contribution to, and continuing efforts to promote the interests of our Group. A total of 168,024,000 options under the Pre-IPO Share Option Scheme that granted to 17 participants (including 7 directors), were outstanding as at 30 June 2015.

### **Corporate Social Responsibility**

Being a responsible corporate citizen is core fundamentals of our culture. In the Relevant Period, the Group participated the sponsorship of an animal protection program organized by the Beijing Loving Animals Foundation (北京愛它動物保護公益基金). A total donation of approximately RMB0.1 million was made by the Group to the above program in the Relevant Period.

## OPERATION REVIEW *(continued)*

### Prospects

Management will continue to focus on the following key objectives for the second half of 2015:

- In line with our multi-brand strategy, the Group will seek opportunities to further diversify its brand portfolio and increase the portion of revenue from self-owned brands. We plan to introduce the first fall/winter season products of our new brand Henry Cotton's in the third quarter of 2015 and the first spring/summer season products of Marina Yachting in the second quarter of 2016;
- The Group will continue to increase spending on marketing and promotion that comprises consumer studies, advertising, public relations, events, online and digital marketing, visual merchandising, and celebrity endorsement to enhance interaction with the customers and to raise brand awareness among our target customers;
- The Group will continue to commit to its multi-channel strategy and place great emphasis on expanding our store network in outlet stores. E-commerce is also a priority of our sales channel strategy. In the second half of 2015 we will actively participated in sales fairs organised by e-commerce platforms such as VIP.com, JD.com and Tmall.com. and increase sales from our self-operated e-commerce platforms;
- The Group's self-developed O2O system has been deployed by all self-operated retail points and retail points operated by major third-party retailers. We will continue to encourage sales attendants to use the system and increase same-store-sales growth by way of fastening the response to ultimate consumers' demands. Furthermore, following the commencement of the warehouse positioning system, our warehousing system will be transformed into a B2C logistics center for direct distribution to consumers, so as to enhance the operation efficiency of the warehouse to retail points and ultimate consumers of online retailing;

**OPERATION REVIEW** *(continued)*

**Prospects** *(continued)*

- We will continue to leverage of experience from the operation of our own production facilities in Dezhou, Shandong Province and increase bargain powers on negotiation of favorable trading terms with our third-party manufacturers; and
- The preparation and construction of the Group's research and development and product display center in Shanghai will be commenced in the second half of 2015.

**INTERIM DIVIDENDS**

The Directors do not recommend to declare any interim dividends for the Relevant Period (1H2014: a special dividend of HK12 cents per share).

**COMPLIANCE WITH THE DEED OF NON-COMPETITION**

During the Relevant Period, none of Controlling Shareholders nor any of their respective associates is a director or a shareholder of any business apart from the business of the Group which competes or likely to compete, either directly or indirectly, with the business of the Group.

## OTHER INFORMATION

### DISCLOSURE OF INTERESTS

#### Directors' and Chief Executives' Interests and Short Positions in Shares and Underlying Shares and Debentures

As at 30 June 2015, the interests and short positions of the Directors and chief executives of the Company in the shares, underlying shares and debentures of the Company or its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance (the "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 of Hong Kong Limited (the "Stock Exchange") pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers ("Model Code") contained in Appendix 10 to the Listing Rules, were as follows:

*Long positions in ordinary shares and underlying shares of the Company:*

Name of director	Capacity	Number of Ordinary Shares Owned	Underlying Shares Interested (Note)	Total	Percentage of the Company's issued share capital (%)
Mr. LO Peter	Beneficial owner	1,000,000	20,328,000	21,328,000	0.62
Mr. ZHANG Yongli	Beneficial owner	9,028,000	20,328,000	29,356,000	0.85
Mr. SUN David Lee	Beneficial owner	452,000	8,328,000	8,780,000	0.25
Ms. HUANG Xiaoyun	Beneficial owner	600,000	14,400,000	15,000,000	0.44
Mr. KWONG Wilson Wai Sun	Beneficial owner	—	1,000,000	1,000,000	0.03
Mr. CUI Yi	Beneficial owner	—	1,000,000	1,000,000	0.03
Mr. YEUNG Chi Wai	Beneficial owner	—	1,000,000	1,000,000	0.03

Note: The number of underlying shares represents the shares in which the Directors are deemed to be interested as a result of holding share options.

Save as disclosed above, as at 30 June 2015, none of the Directors and chief executives of the Company had registered an interest or short position in the shares, underlying shares or debentures of the Company or any of its associated corporations that was required to be recorded pursuant to Section 352 of the SFO, or as otherwise notified to the Company and the Stock Exchange pursuant to the Model Code.

**DISCLOSURE OF INTERESTS** *(continued)*

**Substantial Shareholders' and Other Persons' Interests and Short Positions in Shares and Underlying Shares**

As at 30 June 2015, the following interests and short positions of 5% or more of the issued share capital and share options of the Company were recorded in the register of interests required to be kept by the Company pursuant to Section 336 of the SFO:

*Long positions:*

Name	Notes	Capacity and nature of interest	Number of ordinary shares held	Percentage of the Company's issued share capital (%)
China Enterprise Capital Limited	(1)	Corporate interest	1,786,656,000	51.86
CEC Menswear Limited	(1)	Corporate interest	1,786,656,000	51.86
Mr. ZHANG Bruce Yongfu	(1)	Corporate interest	1,786,656,000	51.86
Vinglory Holdings Limited	(1)	Corporate interest	1,786,656,000	51.86
CEC Outfitters Limited	(1)	Beneficial owner	1,786,656,000	51.86
Managecorp Limited	(2)	Trustee	491,784,000	14.27
Ms. LAM Lai Ming	(2)	Other	491,784,000	14.27
Mr. LI Gabriel	(2)	Other	491,784,000	14.27
YM Investment Limited	(3)	Corporate interest	491,784,000	14.27
Orchid Asia IV Investment, Limited	(3)	Corporate interest	482,078,000	13.99
Orchid Asia IV Group, Limited	(3)	Corporate interest	482,078,000	13.99
Orchid Asia IV Group Management, Limited	(3)	Corporate interest	482,078,000	13.99
OAIV Holdings, L.P.	(3)	Corporate interest	482,078,000	13.99
Orchid Asia IV, L.P.	(3)	Beneficial owner	482,078,000	13.99
Mr. KRAVIS Henry Roberts	(4)	Corporate interest	285,366,000	8.33
Mr. ROBERTS George R.	(4)	Corporate interest	285,366,000	8.33
KKR Management LLC	(4)	Corporate interest	285,366,000	8.33
KKR & Co. L.P.	(4)	Corporate interest	285,366,000	8.33
KKR Group Limited	(4)	Corporate interest	285,366,000	8.33
KKR Fund Holdings GP Limited	(4)	Corporate interest	285,366,000	8.33
KKR Group Holdings L.P.	(4)	Corporate interest	285,366,000	8.33
KKR Fund Holdings L.P.	(4)	Corporate interest	285,366,000	8.33
KKR China Growth Limited	(4)	Corporate interest	285,366,000	8.33
KKR SP Limited	(4)	Corporate interest	285,366,000	8.33
KKR Associates China Growth L.P.	(4)	Corporate interest	285,366,000	8.33
KKR China Growth Fund L.P.	(4)	Corporate interest	285,366,000	8.33
KKR China Apparel Limited	(4)	Beneficial owner	285,366,000	8.33

**DISCLOSURE OF INTERESTS** *(continued)*

**Substantial Shareholders' and Other Persons' Interests and Short Positions in Shares and Underlying Shares** *(continued)*

*Long positions: (continued)*

Notes:

- (1) CEC Outfitters Limited, holding 1,786,656,000 shares (long position) of the Company, was owned as to 56.13% and 43.87% by CEC Menswear Limited ("CEC Menswear") and Vinglory Holdings Limited ("Vinglory") respectively. CEC Menswear was wholly owned by China Enterprise Capital Limited. Vinglory was wholly owned by Mr. ZHANG Bruce Yongfu. The interest in 1,786,656,000 shares (long position) relates to the same block of shares in the Company.
- (2) YM Investment Limited, holding 491,784,000 shares (long position) of the Company, was owned by Managecorp Limited as trustee of a discretionary trust with Mr. LI Gabriel and Ms. LAM Lai Ming as founders and Managecorp Limited as trustee.
- (3) YM Investment Limited held interests in a total of 491,784,000 shares (long position) in the Company by virtue of its control over the following corporations, which held direct interests in the Company:
  - (3.1) Orchid Asia IV, L.P. held 482,078,000 shares (long position) in the Company. Orchid Asia IV, L.P. was wholly owned by OAIV Holdings, L.P. which was in turn wholly owned by Orchid Asia IV Group Management, Limited. Orchid Asia IV Group Management, Limited was wholly owned by Orchid Asia IV Group, Limited which was in turn wholly owned by Orchid Asia IV Investment, Limited. Orchid Asia IV Investment, Limited was owned as to 92.61% by YM Investment Limited.
  - (3.2) Orchid Asia IV Co-Investment, Limited held 9,706,000 shares (long position) in the Company. Orchid Asia IV Co-Investment Limited was a wholly owned subsidiary of YM Investment Limited.

### DISCLOSURE OF INTERESTS *(continued)*

#### **Substantial Shareholders' and Other Persons' Interests and Short Positions in Shares and Underlying Shares** *(continued)*

*Long positions: (continued)*

- (4) KKR China Apparel Limited, holding 285,366,000 shares (long position) of the Company, was owned as to 90% by KKR China Growth Fund L.P. KKR Associates China Growth L.P. ("KKR Associates") is the general partner of KKR China Growth Fund L.P. KKR SP Limited is the voting partner of KKR Associates while KKR China Growth Limited is the general partner of KKR Associates. KKR China Growth Limited was wholly owned by KKR Fund Holdings L.P. KKR Fund Holdings GP Limited is the general partner of KKR Fund Holdings L.P. KKR Group Holdings L.P. is the general partner of KKR Fund Holdings L.P. and the sole shareholder of KKR Fund Holdings G.P. Limited. KKR Group Limited is the general partner of KKR Group Holdings L.P. KKR Group Limited was wholly owned by KKR & Co. L.P. while KKR Management LLC is the general partner of KKR & Co. L.P. Each of Mr. KRAVIS Henry Roberts and Mr. ROBERTS George R. is a designated member of KKR Management LLC. Mr. KRAVIS Henry Roberts and Mr. ROBERTS George R. disclaim any beneficial ownership interest in the shares held by KKR China Apparel Limited. The interests in 285,366,000 shares (long position) relates to the same block of shares in the Company.

Save as disclosed above, as at 30 June 2015, no person, other than the Directors and chief executives of the Company, whose interests are set out in the section "Directors' and Chief Executive's Interests and Short Positions in Shares and Underlying Shares and Debentures" above, had registered an interest or short position in the shares or underlying shares of the Company that was required to be recorded pursuant to Section 336 of the SFO.

### **PURCHASE, SALE OR REDEMPTION OF THE COMPANY'S LISTED SECURITIES**

During the Relevant Period, neither the Company nor any of its subsidiaries purchased, sold or redeemed any of the Company's listed securities, except for the trustee of the Employees' Share Award Scheme adopted by the Board on 4 November 2014 (the "Scheme"). Pursuant to the terms of the rules and trust deed of the Scheme, a total of 8,154,000 shares of the Company at a total consideration of about HK\$7.7 million were purchased on the Stock Exchange for the period from 4 November 2014 to 30 June 2015.

## SHARE OPTION SCHEME

The Company operates a share option scheme (“Share Option Scheme”) and a Pre-IPO share option scheme (“Pre-IPO Share Option Scheme”) for the purpose of providing incentives and rewards to eligible participants for their contribution to, and continuing efforts to promote the interests of, the Group. The Share Option Scheme was conditionally approved by the written resolutions of the shareholders passed on 25 November 2011. No share options were granted, exercised or cancelled by the Company under the Share Option Scheme during the Relevant Period. A total of 205,552,000 shares under Pre-IPO Share Option Scheme were granted on 9 December 2011 to 20 participants, including 7 Directors, at a consideration of HK\$1 paid by each participant. Each of the above share options is subject to a vesting schedule of four years pursuant to which one-fourths (1/4) of the share options shall become vested and exercisable on 9 December 2012, 2013, 2014 and 2015, respectively. Details of the both schemes are set out in the published annual report of the Company for the year ended 31 December 2014.

### Pre-IPO Share Option Scheme

Details of movements of the options during the Relevant Period are set out below:

	<b>Number of options outstanding</b>
At 1 January 2015	168,024,000
At 30 June 2015	168,024,000



**SHARE OPTION SCHEME** *(continued)*

The details of valid grantees and share options under the Pre-IPO Share Option Scheme during the Relevant Period by category of grantees are set out below:

<b>Category of grantees</b>	<b>Number of grantees</b>		<b>Valid as at 30 June 2015</b>
	<b>Valid as at 30 June 2014</b>	<b>Invalid during the year</b>	
Executive directors	4	—	<b>4</b>
Non-executive directors	—	—	<b>—</b>
Independent non-executive directors	3	—	<b>3</b>
Other employees and consultant	12	(2)	<b>10</b>
	19	(2)	<b>17</b>

**Number of shares to be issued upon fully exercise of all share options granted under the Pre-IPO Share Option Scheme**

<b>Category of grantees</b>	<b>Outstanding as at 30 June 2014</b>	<b>Forfeited during the year</b>	<b>Outstanding as at 30 June 2015</b>
Executive directors	63,384,000	—	<b>63,384,000</b>
Non-executive directors	—	—	<b>—</b>
Independent non-executive directors	3,000,000	—	<b>3,000,000</b>
Other employees and consultant	132,840,000	(31,200,000)	<b>101,640,000</b>
	199,224,000	(31,200,000)	<b>168,024,000</b>

## CORPORATE GOVERNANCE

### Corporate governance practices

The Board believes that high corporate governance standards are essential in providing a framework for the Company to safeguard the interests of shareholders and to enhance corporate value and accountability. The Board is of the view that throughout the Relevant Period, the Company has complied with all the code provisions as set out in the Corporate Governance Code contained in Appendix 14 of the Listing Rules.

### Compliance with the Model Code by Directors

The Company has adopted the Model Code as its code of conduct regarding securities transactions by the Directors. Having made specific enquiry with all Directors, the Company has confirmed with all Directors that they have complied with the required standard set out in the Model Code and its code of conduct regarding any Directors' securities transactions for the period from 1 January 2015 to 24 August 2015 (date of publication of the Company's interim results).

## CHANGE OF DIRECTORS' INFORMATION

Pursuant to Rule 13.51B of the Listing Rules, there is no change in information of Directors since the date of the 2014 annual report of the Company.

## REVIEW OF INTERIM RESULTS

The audit committee has discussed with management internal controls and financial reporting matters related to the preparation of the interim condensed consolidated financial statements for the Relevant Period. It has also reviewed the said consolidated financial statements in conjunction with the Company's external auditors.

Ernst & Young, the external auditors of the Group have reviewed but not audited the Group's interim results for the Relevant Period.

**APPRECIATION**

I would like to take this opportunity to thank our colleagues on the Board for their contribution and support throughout the Relevant Period, and our management and staff members of the Group for their hard work and loyal service. I would also like to express our sincere appreciation to our shareholders, customers and suppliers as well as our business partners for their continuing support.

By Order of the Board  
**China Outfitters Holdings Limited**

**Lo Peter**  
*Chairman*  
Hong Kong

24 August 2015