



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

2017
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

Hong Kong share registrar and transfer office

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

Principal banker

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

Legal advisor

Herbert Smith Freehills LLP

Auditor

Ernst & Young,
Certified Public Accountants

FINANCIAL HIGHLIGHTS

	Six months ended 30 June		
	2017 (Unaudited)	2016 (Unaudited)	% change
Revenue (RMB million)	442.4	459.8	(3.8%)
Gross profit (RMB million)	312.6	309.5	1.0%
Operating profit (RMB million)	63.5	60.6	4.8%
Profit attributable to owners of the parent (RMB million)	49.3	53.3	(7.5%)
Net cash flows from operating activities (RMB million)	63.7	81.6	(21.9%)
Earnings per share — Basic (RMB cents) ¹	1.44	1.55	(7.1%)
Gross profit margin	70.7%	67.3%	3.4 p.p.t
Operating profit margin	14.4%	13.2%	1.2 p.p.t
Net profit margin	10.9%	11.4%	(0.5 p.p.t)
Effective tax rate	35.0%	31.7%	3.3 p.p.t
	As at 30 June 2017 (Unaudited)	As at 31 December 2016 (Audited)	
Current ratio (times) ²	2.3	2.2	+0.1 times
Trade receivables turnover days (days) ³	36	44	(8) days
Trade payables turnover days (days) ⁴	43	45	(2) day
Inventory turnover days (days) ⁵	333	359	(26) 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 six months ended 30 June 2017 was 3,434,850,344 versus 3,435,512,411 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 for the period 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 (the “Group”) as at 30 June 2017 and the related interim condensed consolidated statements of profit or loss and other 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

21 August 2017

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

For the six months ended 30 June 2017

	Notes	Six months ended 30 June	
		2017 RMB'000 (Unaudited)	2016 RMB'000 (Unaudited)
REVENUE	4	442,376	459,805
Cost of sales		(129,816)	(150,280)
Gross profit		312,560	309,525
Other income and gains, net	4	8,357	14,760
Selling and distribution expenses		(217,878)	(226,659)
Administrative expenses		(27,047)	(26,148)
Other expenses		(12,506)	(10,880)
Operating profit		63,486	60,598
Finance income	5	17,388	17,181
Finance costs		(3,743)	(3,230)
Share of profits and losses of:			
Joint ventures		(2,000)	2,462
An associate		(584)	–
PROFIT BEFORE TAX	6	74,547	77,011
Income tax expense	7	(26,105)	(24,437)
PROFIT FOR THE PERIOD		48,442	52,574
OTHER COMPREHENSIVE INCOME/ (LOSS)			
Other comprehensive income/(loss) to be reclassified to profit or loss in subsequent periods:			
Available-for-sale investments:			
Changes in fair value		(4,023)	–
Exchange differences on translation of foreign operations		5,760	(2,882)
TOTAL COMPREHENSIVE INCOME FOR THE PERIOD, NET OF TAX		50,179	49,692

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

For the six months ended 30 June 2017

		Six months ended 30 June	
	Notes	2017 RMB'000 (Unaudited)	2016 RMB'000 (Unaudited)
Profit attributable to:			
Owners of the parent	9	49,305	53,294
Non-controlling interests		(863)	(720)
		48,442	52,574
Total comprehensive income attributable to:			
Owners of the parent		51,084	50,383
Non-controlling interests		(905)	(691)
		50,179	49,692
EARNINGS PER SHARE			
ATTRIBUTABLE TO ORDINARY			
EQUITY HOLDERS OF			
THE PARENT			
Basic and diluted	9	RMB1.44cents	RMB1.55cents

INTERIM CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 30 June 2017

	Notes	30 June 2017 RMB'000 (Unaudited)	31 December 2016 RMB'000 (Audited)
NON-CURRENT ASSETS			
Property, plant and equipment	10	266,124	275,123
Property under development	11	39,013	–
Prepaid land lease payments	13	47,975	83,927
Investment properties		4,356	4,499
Investment in joint ventures		148,265	156,980
Investment in an associate		15,537	16,121
Available-for-sale investments	14	60,672	17,016
Goodwill		70,697	70,697
Other intangible assets	10	94,399	99,093
Deferred tax assets		153,923	149,780
Total non-current assets		900,961	873,236
CURRENT ASSETS			
Inventories	15	221,554	258,755
Trade and bills receivables	16	73,292	105,565
Prepayments, deposits and other receivables	17	87,857	75,096
Derivative financial instruments		2,295	10,365
Structured bank deposits	18	478,481	474,200
Pledged bank deposits	19	427,304	429,324
Cash and cash equivalents	19	184,637	157,122
Total current assets		1,475,420	1,510,427

INTERIM CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION *(continued)***As at 30 June 2017**

	Notes	30 June 2017 RMB'000 (Unaudited)	31 December 2016 RMB'000 (Audited)
CURRENT LIABILITIES			
Interest-bearing bank borrowings	20	373,205	384,639
Trade payables	21	30,096	32,489
Deposits received, other payables and accruals	22	105,707	140,454
Tax payable		134,842	141,861
Total current liabilities		643,850	699,443
NET CURRENT ASSETS		831,570	810,984
TOTAL ASSETS LESS CURRENT LIABILITIES			
		1,732,531	1,684,220
NON-CURRENT LIABILITIES			
Deferred tax liabilities		25,315	26,864
Net assets		1,707,216	1,657,356
EQUITY			
Equity attributable to owners of the parent			
Share capital	23	280,661	280,661
Shares held for share award scheme		(7,910)	(7,591)
Reserves		(1,435,496)	1,384,412
Non-controlling interests		1,708,247 (1,031)	1,657,482 (126)
Total equity		1,707,216	1,657,356

INTERIM CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the six months ended 30 June 2017

	Attributable to the owners of the parent												
	Shares held for		Capital redemption reserve	Merger reserve	Acquisition reserve	Available-for-sale		Statutory surplus reserve	Exchange fluctuation reserve	Retained profits	Total	Non-controlling interests	Total equity
	Issued capital	Share Award Scheme				Share option reserve	Investment Revaluation reserve						
	RMB'000 (note 23)	RMB'000 (note 25)	RMB'000	RMB'000	RMB'000	RMB'000 (note 24)	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	
Unaudited													
At 1 January 2017	280,661	(7,591)	543	389,848	(186,036)	27,547	-	48,542	(18,973)	1,122,941	1,657,482	(126)	1,657,356
Profit for the period	-	-	-	-	-	-	-	-	-	49,305	49,305	(863)	48,442
Other comprehensive income for the period:													
Changes in fair value of available-for-sale investments, net of tax	-	-	-	-	-	-	(4,023)	-	-	-	(4,023)	-	(4,023)
Exchange differences on translation of foreign operations	-	-	-	-	-	-	-	-	5,802	-	5,802	(42)	5,760
Total comprehensive income for the period	-	-	-	-	-	-	(4,023)	-	5,802	49,305	51,084	(905)	50,179
Appropriations to statutory surplus reserve	-	-	-	-	-	-	-	2,565	-	(2,565)	-	-	-
Share award scheme arrangements	-	(319)	-	-	-	-	-	-	-	-	(319)	-	(319)
At 30 June 2017	280,661	(7,910)	543*	389,848*	(186,036)*	27,547*	(4,023)*	51,107*	(13,171)*	1,169,681*	1,708,247	(1,031)	1,707,216

* These components of equity comprise the consolidated reserves of RMB1,435,496,000 (31 December 2016: RMB1,384,412,000) in the interim condensed consolidated statement of financial position as at 30 June 2017.

INTERIM CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY *(continued)*

For the six months ended 30 June 2016

	Attributable to the owners of the parent											
	Issued capital	Share Award Scheme	Capital redemption reserve	Merger reserve	Acquisition reserve	Share option reserve	Statutory surplus reserve	Exchange fluctuation reserve	Retained profits	Total	Non-controlling interests	Total equity
	RMB'000 (note 23)	RMB'000 (note 25)	RMB'000	RMB'000	RMB'000	RMB'000 (note 24)	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Unaudited												
At 1 January 2016	280,661	(7,409)	543	389,848	(186,036)	53,701	48,042	(10,268)	1,051,884	1,620,966	1,825	1,622,791
Profit for the period	-	-	-	-	-	-	-	-	53,294	53,294	(720)	52,574
Other comprehensive income for the period:												
Exchange differences on translation of foreign operations	-	-	-	-	-	-	-	(2,911)	-	(2,911)	29	(2,882)
Total comprehensive income for the period	-	-	-	-	-	-	-	(2,911)	53,294	50,383	(691)	49,692
Appropriations to statutory surplus reserve	-	-	-	-	-	-	936	-	(936)	-	-	-
Share award scheme arrangements	-	(182)	-	-	-	-	-	-	-	(182)	-	(182)
At 30 June 2016	280,661	(7,591)	543	389,848	(186,036)	53,701	48,978	(13,179)	1,104,242	1,671,167	1,134	1,672,301

INTERIM CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

For the six months ended 30 June 2017

		Six months ended 30 June	
		2017	2016
Notes		RMB'000	RMB'000
		(Unaudited)	(Unaudited)
Operating activities			
Profit before tax		74,547	77,011
Adjustments to reconcile profit before tax to net cash flows:			
Depreciation of property, plant and equipment	6	7,978	7,540
Depreciation of investment properties	6	143	11
Amortisation of prepaid land lease payments	6	1,059	944
Amortisation of other intangible assets	6	786	786
Loss/(gain) on disposal of property, plant and equipment		(16)	2
Write-down of inventories to net realisable value	6	23,152	53,098
Share of loss/(gain) of joint ventures		2,000	(2,462)
Share of loss of an associate		584	-
Fair value loss/(gain), net:			
Derivative instruments			
– transactions not qualifying as hedges	6	8,070	(4,235)
Impairment of other intangible assets	6	1,272	7,470
Impairment of trade receivables	6	720	3,364
Finance costs		3,743	3,230
Finance income	5	(17,388)	(17,181)
		106,650	129,578
Decrease in inventories		16,356	2,966
Decrease in trade and bills receivables		31,553	26,227
(Increase)/Decrease in prepayments, deposits and other receivables		(12,474)	6,158
Decrease in trade and bills payables		(2,393)	(27,196)
(Decrease)/Increase in deposits received, other payables and accruals		(34,747)	3,703
Cash generated from operations		104,945	141,436
PRC corporate income tax paid		(36,047)	(56,560)
Withholding tax paid		(1,428)	-
Interest paid		(3,743)	(3,230)
Net cash flows from operating activities		63,727	81,646

INTERIM CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS*(continued)***For the six months ended 30 June 2017**

		Six months ended 30 June	
	Notes	2017 RMB'000 (Unaudited)	2016 RMB'000 (Unaudited)
Investing activities			
Proceeds from disposal of items of property, plant and equipment		202	11
Purchase of items of property, plant and equipment		(5,052)	(1,095)
Increase in short term deposits with original maturity of over three months		(35,623)	–
Interest received from bank deposits		707	931
Interest received from structured bank deposits		16,681	6,360
Increase in structured bank deposits		(4,281)	(92,766)
Purchase of available for sale investments		(49,020)	(3,419)
Net cash flows used in investing activities		(76,386)	(89,978)
Financing activities			
Purchase of shares for share award scheme		(319)	(182)
Net cash flows used in financing activities		(319)	(182)
Net decrease in cash and cash equivalents		(12,978)	(8,514)
Effect of foreign exchange rate changes, net		2,850	1,817
Cash and cash equivalents at 1 January		157,746	172,276
Cash and cash equivalents at 30 June		147,618	165,579
Analysis of balances of cash and cash equivalents			
Cash and bank balances	19	146,014	163,556
Time deposits		38,623	5,000
Cash and cash equivalents as stated in the interim condensed consolidated statement of financial position	19	184,637	168,556
Add: Time deposits with original maturity of less than three months when acquired, pledged as security for issuing bank acceptance notes and forward currency contracts		1,604	2,023
Less: Time deposits with original maturity of over three months		(38,623)	(5,000)
Cash and cash equivalents as stated in the interim condensed consolidated statement of cash flows		147,618	165,579

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

30 June 2017

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 located at 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 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, manufacture, marketing and sale of apparel products and accessories in the People’s Republic of China (the “PRC”, or Mainland 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 2017 (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 IMPACT OF NEW AND REVISED INTERNATIONAL FINANCIAL REPORTING STANDARDS

Basis of preparation

These interim condensed consolidated financial statements for the six months ended 30 June 2017 (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 annual consolidated financial statements, and should be read in conjunction with the Group’s annual consolidated financial statements for the year ended 31 December 2016.

Impact of new and revised international financial reporting standards

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 2016, except for the adoption of the new or revised standards, interpretation and amendments as of 1 January 2017, noted below:

Amendments to IAS 7	<i>Statement of Cash Flows: Disclosure Initiative</i>
Amendments to IAS 12	<i>Income Taxes: Recognition of Deferred Tax Assets for Unrecognised Losses</i>
<i>Annual Improvements 2014-2016 Cycle</i>	<i>Amendments to IFRS 12 Disclosure of Interests in Other Entities: Clarification of the scope of disclosure requirements in IFRS 12</i>

The Group is not required to provide additional disclosures of the IAS 7 in its unaudited interim condensed consolidated financial statements, but will disclose additional information in its annual consolidated financial statements for the year ending 31 December 2017. Except for the IAS 7, 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, manufacture, 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 Relevant 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 revenue during the Relevant Period presented.

4. REVENUE AND OTHER INCOME AND GAINS, NET

Revenue, represents the net invoiced value of goods sold after trade discounts.

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

	Six months ended 30 June	
	2017	2016
	RMB'000	RMB'000
	(Unaudited)	(Unaudited)
Revenue		
Sale of goods	442,376	459,805
Other income		
Government subsidies*	6,589	8,373
Arrangement fees#	75	121
Rental income, net	693	1,210
Sale of consumables, net	953	721
	8,310	10,425
Gains, net		
Fair value gains, net:		
Derivative instruments –		
transactions not qualifying as hedges	–	4,235
Others	47	100
	47	4,335
	8,357	14,760

* These represent incentive subsidies provided by local governments as a measure to attract investments 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

	Six months ended 30 June	
	2017	2016
	RMB'000	RMB'000
	(Unaudited)	(Unaudited)
Interest income on bank deposits	707	931
Interest income on structured bank deposits	16,681	16,250
	17,388	17,181

6. PROFIT BEFORE TAX

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

		Six months ended 30 June	
		2017	2016
	Notes	RMB'000	RMB'000
		(Unaudited)	(Unaudited)
Cost of inventories sold		106,664	97,182
Depreciation:			
Property, plant and equipment	10	7,978	7,540
Investment properties		143	11
		8,121	7,551
Employee benefit expenses (including directors' remuneration):			
Wages and salaries		51,040	45,605
Pension scheme contributions		6,598	6,492
		57,638	52,097

6. PROFIT BEFORE TAX (continued)

	Notes	Six months ended 30 June	
		2017 RMB'000 (Unaudited)	2016 RMB'000 (Unaudited)
Amortisation of prepaid land lease payments*	13	1,059	944
Amortisation of other intangible assets*	10	786	786
Impairment of other intangible assets^	10	1,272	7,470
Impairment of trade receivables^		720	3,364
Fair value loss/(gain), net: Derivative instruments – transactions not qualifying as hedges		8,070	(4,235)
Write-down of inventories to net realisable value#		23,152	53,098
Foreign exchange differences, net		2,425	46

* 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 other comprehensive income.

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.

^ The impairment of other intangible assets and trade receivables are included in “Other expenses” 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 incorporated in the Cayman Islands and its subsidiary incorporated in the BVI are exempted from taxation.

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 Relevant 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 2016.

	Six months ended 30 June	
	2017	2016
	RMB'000	RMB'000
	(Unaudited)	(Unaudited)
Current – PRC		
Charge for the period	30,456	39,236
Deferred	(4,351)	(14,799)
Total tax charge for the period	26,105	24,437

8. DIVIDEND

The board of directors of the Company (the "Board") does not recommend to declare any final dividends or interim dividends for the year ended 31 December 2016 and for the Relevant Period respectively.

9. EARNINGS PER SHARE ATTRIBUTABLE TO ORDINARY OWNERS OF THE PARENT

The calculation of basic earnings per share is based on the profit for the Relevant Period attributable to owners of the parent of RMB49,305,000 (six months ended 30 June 2016: RMB53,294,000) and the weighted average number of ordinary shares of 3,434,850,344 (six months ended 30 June 2016: 3,435,512,411) 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.

	Six months ended 30 June	
	2017	2016
	RMB'000	RMB'000
	(Unaudited)	(Unaudited)
Earnings		
Profit attributable to owners of the parent, used in the basic earnings per share calculation	49,305	53,294
Number of shares		
	Six months ended 30 June	
	2017	2016
Shares		
Weighted average number of ordinary shares in issue	3,445,450,000	3,445,450,000
Weighted average number of shares purchased for the Share Award Scheme	(10,599,656)	(9,937,589)
Adjusted weighted average number of ordinary shares in issue used in the basic earnings per share calculation	3,434,850,344	3,435,512,411

10. PROPERTY, PLANT AND EQUIPMENT AND OTHER INTANGIBLE ASSETS

	Property, plant and equipment RMB'000	Other intangible assets RMB'000
Unaudited		
Opening net book amount at 1 January 2017	275,123	99,093
Additions	129	–
Disposals	(186)	–
Depreciation and amortisation provided during the period	(7,978)	(786)
Impairment	–	(1,272)
Exchange realignment	(964)	(2,636)
Closing net book amount at 30 June 2017	266,124	94,399
Audited		
Opening net book amount at 1 January 2016	246,834	112,449
Additions	41,148	–
Disposals	(39)	–
Depreciation and amortisation provided during the year	(14,927)	(1,572)
Impairment	–	(18,000)
Exchange realignment	2,107	6,216
Closing net book amount at 31 December 2016	275,123	99,093

As at 30 June 2017, three certificates of ownership in respect of properties in Haikou with net carrying amount of RMB18,350,000 (2016: RMB18,828,000), one certificate of ownership in respect of a warehouse in Chengdu with net carrying amount of approximately RMB5,250,000 (2016: one certificate of ownership in respect of a warehouse in Chengdu with net carrying amount of approximately RMB5,428,000 and two certificates of ownership in respect of two office buildings in Wuxi, Jiangsu and Tianjin with net carrying amount of approximately RMB35,548,000 and RMB3,696,000 respectively), have not been issued by the relevant PRC authorities. The Group is in the process of obtaining the relevant certificates.

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

The Group classified the trademarks of “London Fog”, “Artful Dodger” and “Zoo York” as intangible assets with indefinite lives. The Group has performed impairment reviews of the carrying values of trademarks as at 30 June 2017 and 31 December 2016 based on a forecast of operating performance, cash flows and the key assumptions as detailed in note 12 below. Based on the result of the impairment test, the recoverable amount of the trademark of “Artful Dodger” was RMB12,027,000 as at 30 June 2017. Accordingly, management had determined that there was an impairment of the trademark of “Artful Dodger” and recognized an impairment charge of RMB1,272,000(2016: RMB15,000,000 and RMB3,000,000 of the trademark of “London Fog” and “Zoo York” respectively), which was recorded within other expenses in the consolidated statement of profit or loss and other comprehensive income.

11. PROPERTY UNDER DEVELOPMENT

	30 June 2017 RMB'000 (Unaudited)	31 December 2016 RMB'000 (Audited)
Property under development expected to be recovered: Within one year	39,013	–
Carrying amount at end of year	39,013	–

The Group’s property under development is located in the PRC and situated on leasehold land with long term leases.

12. IMPAIRMENT OF GOODWILL AND INTANGIBLE ASSETS WITH INDEFINITE LIVES

Goodwill arising from the acquisition of the PRC Doright Group in 2006 has been allocated to the Group's cash-generating units (the "Menswear cash-generating units") for impairment testing.

The recoverable amount of the Menswear cash-generating units has been determined based on a value in use calculation using cash flow projections from financial budgets covering a five-year period approved by senior management. For the Relevant Period, the discount rate applied to the cash flow projections is 19.0% (31 December 2016: 19.0%) and cash flows beyond the five-year period are extrapolated using a growth rate of 3% (31 December 2016: 3%) which does not exceed the projected long term average growth rate for the relevant industry in the Mainland China.

The recoverable amount of the trademarks with indefinite lives has been determined based on a value in use calculation using cash flow projections from financial budgets covering a five-year period approved by senior management. For the Relevant Period, the discount rates applied to the cash flow projection were 19.0% (31 December 2016: 19.0%) for London Fog, 24.0% (31 December 2016: 24.0%) for Zoo York and 27.0% (31 December 2016: 27.0%) for Artful Dodger and cash flows beyond the five-year period were extrapolated using a growth rate of 3% (31 December 2016: 3%) which does not exceed the projected long term average growth rate for the relevant industry in the Mainland China.

Assumptions used in the value in use calculation of the Menswear cash-generating units and the trademarks with indefinite lives. The following describes each key assumption on which management has based its cash flow projections to undertake impairment testing of goodwill and trademarks:

Budgeted gross profit margins

Budgeted gross profit margins are based on average values achieved historically. These are adjusted over the budget period in accordance with anticipated efficiency improvements and expected market developments.

Discount rates

The discount rates used are before tax and reflect specific risks relating to the Menswear cash-generating units and the trademarks with indefinite lives.

In the opinion of the Directors, any reasonably possible change in the key assumptions on which the recoverable amounts are based would not cause the carrying amounts of goodwill and trademarks with indefinite lives to exceed their recoverable amounts, respectively.

13. PREPAID LAND LEASE PAYMENTS

	30 June 2017 RMB'000 (Unaudited)	31 December 2016 RMB'000 (Audited)
Opening net book amount	85,685	87,785
Transfer to property under development during the period/year	(34,606)	–
Amortisation charged during the period/year	(1,059)	(2,100)
Closing net book amount	50,020	85,685
Current portion included in prepayments, deposits and other receivables (note 17)	(2,045)	(1,758)
Non-current portion	47,975	83,927

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

14. AVAILABLE FOR SALE INVESTMENTS

	30 June 2017 RMB'000 (Unaudited)	31 December 2016 RMB'000 (Audited)
Listed equity investment, at fair value	43,656	–
Unlisted equity investment, at cost	17,016	17,016
	60,672	17,016

The above listed investment consist of investment in an equity security which was designated as available-for-sale financial assets and have no fixed maturity date or coupon rate.

During the Relevant Period, the net loss in respect of the Group's available-for-sale investment on listed equity security recognized in other comprehensive loss amounted to RMB4,023,000.

14. AVAILABLE FOR SALE INVESTMENTS *(continued)*

The fair values of listed equity investments are based on quoted market prices. Management has no intention to dispose of the investments in the foreseeable future.

As at 30 June 2017, unlisted equity investments represented with a total carrying amount of RMB17,016,000 was stated at cost less impairment because the range of reasonable fair value estimates is so significant that the Directors are of the opinion that their fair value cannot be measured reliably. The Group does not intend to dispose of them in the near future.

15. INVENTORIES

	30 June 2017 RMB'000 (Unaudited)	31 December 2016 RMB'000 (Audited)
Raw materials	14,602	13,436
Work in progress	6,333	6,709
Finished goods	200,619	238,610
	221,554	258,755

16. 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.

16. TRADE AND BILLS RECEIVABLES (continued)

An aged analysis of the trade receivables as at 30 June 2017 and 31 December 2016, based on the invoice date and net of provision and the balances of bills receivable, is as follows:

	30 June 2017 RMB'000 (Unaudited)	31 December 2016 RMB'000 (Audited)
Trade receivables		
Within 60 days	69,333	98,381
61 to 90 days	684	917
91 to 180 days	923	1,285
181 to 360 days	636	1,944
Over 360 days	1,616	1,078
	73,192	103,605
Bills receivable	100	1,960
	73,292	105,565

17. PREPAYMENTS, DEPOSITS AND OTHER RECEIVABLES

	30 June 2017 RMB'000 (Unaudited)	31 December 2016 RMB'000 (Audited)
Prepayments	29,993	21,350
Deposits and other receivables	55,819	51,988
Current portion of prepaid land lease payments (note 13)	2,045	1,758
	87,857	75,096

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.

18. STRUCTURED BANK DEPOSITS

	30 June 2017 RMB'000 (Unaudited)	31 December 2016 RMB'000 (Audited)
Structured bank deposits, in licensed banks in Mainland China, at amortised cost	478,481	474,200

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

19. PLEDGED BANK DEPOSITS AND CASH AND CASH EQUIVALENTS

	30 June 2017 RMB'000 (Unaudited)	31 December 2016 RMB'000 (Audited)
Cash and bank balances	146,014	154,122
Time deposits	465,927	432,324
Less: Bank deposits pledged*	611,941 (427,304)	586,446 (429,324)
Cash and cash equivalents as stated in the interim condensed consolidated statement of financial position	184,637	157,122

* Bank deposits pledged for securing interest-bearing bank borrowings and forward currency contracts amounted to RMB425,700,000 and RMB1,604,000 respectively. (31 December 2016: Bank deposits pledged for securing interest-bearing bank borrowings and forward currency contracts amounted to RMB425,700,000 and RMB3,624,000 respectively.)

19. PLEDGED BANK DEPOSITS AND CASH AND CASH EQUIVALENTS

(continued)

At the end of the Relevant Period, the cash and bank balances and time deposits of the Group denominated in RMB amounted to RMB499,593,000 (31 December 2016: RMB499,207,000). 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 six 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.

20. INTEREST-BEARING BANK BORROWINGS

	30 June 2017 RMB'000 (Unaudited)	31 December 2016 RMB'000 (Audited)
Interest-bearing bank borrowings	373,205	384,639

Interest-bearing bank borrowings outstanding as of 30 June 2017 represent Hong Kong Dollar ("HK\$") denominated bank borrowings of HK\$430,000,000, 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 RMB425,700,000 as at 30 June 2017. Pledged deposits were classified as "Pledged bank deposits" on the interim condensed consolidated statements of financial position as at 30 June 2017. The interest-bearing bank borrowings are repayable on demand and bear interest at rates ranging from HongKong InterBank Offered Rate ("HIBOR") plus 1.50%.

21. TRADE PAYABLES

An aged analysis of the trade payables as at 30 June 2017 and 31 December 2016, based on the invoice date is as follows:

	30 June 2017 RMB'000 (Unaudited)	31 December 2016 RMB'000 (Audited)
Trade payables		
Within 30 days	19,347	22,798
31 to 90 days	4,731	4,248
91 to 180 days	1,590	273
181 to 360 days	4,428	5,170
	30,096	32,489

The trade payables are non-interest-bearing and are normally settled on terms of 30 to 45 days.

22. DEPOSITS RECEIVED, OTHER PAYABLES AND ACCRUALS

	30 June 2017 RMB'000 (Unaudited)	31 December 2016 RMB'000 (Audited)
Advances from customers	43,620	67,107
Other payables	45,188	33,393
Accruals	3,668	19,546
Other taxes payable	13,231	20,408
	105,707	140,454

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

23. SHARE CAPITAL
Shares

	30 June 2017 HK\$'000 (Unaudited)	31 December 2016 HK\$'000 (Audited)
Issued and fully paid:		
3,445,450,000 (31 December 2016: 3,445,450,000) ordinary shares	344,545	344,545
Equivalent to RMB'000	280,661	280,661

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

Share Option

Details of the Company's Share Option schemes and the Share Options issued under the Schemes are included in note 24 to the financial statements.

24. 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 2016.

Pre-IPO Share Option Scheme

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

	Six months ended 30 June 2017		Six months ended 30 June 2016	
	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	84,012,000	1.64	126,018,000

24. SHARE OPTION SCHEME *(continued)***Pre-IPO Share Option Scheme** *(continued)*

The Company recognised a share option expenses of Nil in the Relevant Period (six months ended 30 June 2016:Nil)

As at 9 December 2016, 42,006,000 share options became lapsed as no share option was exercised within the three-year exercise period for the second one-fourth of the share options vested and exercisable on 9 December 2013.

No share option was exercised during the Relevant Period. As at 30 June 2017, the Company had 84,012,000 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 84,012,000 additional ordinary shares of the Company and additional share capital of HK\$8,401,200 (equivalent to RMB7,292,000) and share premium of HK\$129,378,480 (equivalent to RMB112,290,000) (before issue expenses).

At the date of approval of these interim condensed consolidated financial statements, the Company had 84,012,000 share options outstanding under the Pre-IPO Share Option Scheme, which represented approximately 2.44% of the Company's shares in issue as at that date.

Share Option Scheme

As at 30 June 2017 and the date of approval of these interim condensed consolidated financial statements, no share option was granted and outstanding under the Share Option Scheme.

25. 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.

25. SHARE AWARD SCHEME *(continued)*

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 in such manner as the Board may determine from time to time.

The Trustee purchased 1,342,000 shares of the Company at a total cost (including related transaction costs) of HK\$ 378,000 (equivalent to RMB319,000) during the Relevant Period (six months ended 30 June 2016: The Trustee purchased 506,000 shares of the Company at a total cost (including related transaction costs) of HK\$ 215,000 (equivalent to RMB182,000)).

The Board did not yet grant any shares to any employees from 4 November 2014 to 30 June 2017.

26. 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 2017, the Group had total future minimum lease receivables under non-cancellable operating leases with its tenants falling due as follows:

	30 June 2017 RMB'000 (Unaudited)	31 December 2016 RMB'000 (Audited)
Within one year	536	1,418
In the second to fifth years, inclusive	53	234
	589	1,652

26. OPERATING LEASE ARRANGEMENTS (continued)**(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 2017, the Group had total future minimum lease payments under non-cancellable operating leases falling due as follows:

	30 June 2017 RMB'000 (Unaudited)	31 December 2016 RMB'000 (Audited)
Within one year	6,006	9,997
In the second to fifth year, inclusive	1,321	2,414
	7,327	12,411

27. COMMITMENTS

In addition to the operating lease commitments detailed in note 26(b) above, the Group had the following capital commitments at the end of the Relevant Period:

	30 June 2017 RMB'000 (Unaudited)	31 December 2016 RMB'000 (Audited)
Contracted provided for:		
Lands and buildings	126,900	5,165
	126,900	5,165

28. RELATED PARTY TRANSACTIONS

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

	Six months ended 30 June	
	2017 RMB'000 (Unaudited)	2016 RMB'000 (Unaudited)
Fees	1,460	1,460
Salaries, allowances and benefits in kind	2,230	2,201
Pension scheme contributions	81	79
Total compensation paid to key management personnel	3,771	3,740

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.

29. FAIR VALUES AND FAIR VALUE HIERARCHY OF FINANCIAL INSTRUMENTS

The carrying amounts and fair values of the Group's instruments, other than those with carrying amounts that reasonably approximate to fair values, are as follows:

	Carrying amounts		Fair values	
	30 June 2017 RMB'000	31 December 2016 RMB'000	30 June 2017 RMB'000	31 December 2016 RMB'000
Financial assets				
Available-for-sale investment	43,656	–	43,656	–
Derivative financial instruments	2,295	10,365	2,295	10,365
	45,951	10,365	45,951	10,365

29. FAIR VALUES AND FAIR VALUE HIERARCHY OF FINANCIAL INSTRUMENTS *(continued)*

Management has assessed that the fair values of cash and cash equivalents, the current portion of pledged deposits, trade and bills receivables, trade payables, financial assets included in prepayments, deposits and other receivables, financial liabilities included in other payables and accruals approximate to their carrying amounts largely due to the short term maturities of these instruments.

The Group's finance department headed by the finance manager is responsible for determining the policies and procedures for the fair value measurement of financial instruments. The finance manager reports directly to the chief financial officer and the audit committee. At each reporting date, the finance department analyses the movements in the value of financial instruments and determines the major inputs applied in the valuation. The valuation is reviewed and approved by the chief financial officer. The valuation process and results are discussed with the audit committee twice a year for interim and annual financial reporting.

The fair values of the financial assets and liabilities are included at the amount at which the instrument could be exchanged in a current transaction between willing parties, other than in a forced or liquidation sale. The following methods and assumptions were used to estimate the fair values:

The fair values of interest-bearing bank borrowings have been calculated by discounting the expected future cash flows using rates currently available for instruments on similar terms, credit risk and remaining maturities.

The Group enters into derivative financial instruments with various counterparties, principally financial institutions with AAA credit ratings. Derivative financial instruments, including forward currency contracts and interest rate swaps, are measured using valuation techniques similar to forward pricing and swap models, using present value calculations. The models incorporate various market observable inputs including the credit quality of counterparties, foreign exchange spot and forward rates and interest rate curves. The carrying amounts of forward currency contracts and interest rate swaps are the same as their fair values.

29. FAIR VALUES AND FAIR VALUE HIERARCHY OF FINANCIAL INSTRUMENTS *(continued)*

Fair value hierarchy

The following tables illustrate the fair value measurement hierarchy of the Group's financial instruments:

Assets measured at fair value

As at 30 June 2017

	Fair value measurement using			Total RMB'000		
	Quoted prices in active markets Level 1 RMB'000	Significant observable inputs Level 2 RMB'000	Significant unobservable inputs Level 3 RMB'000			
	Available-for-sale investment	43,656	-		-	43,656
	Derivative financial instruments	-	2,295		-	2,295
	43,656	2,295	-	45,951		

As at 31 December 2016

	Fair value measurement using			Total RMB'000		
	Quoted prices in active markets Level 1 RMB'000	Significant observable inputs Level 2 RMB'000	Significant unobservable inputs Level 3 RMB'000			
	Derivative financial instruments	-	10,365		-	10,365

Liabilities measured at fair value

The Group did not have any financial liabilities measured at fair value as at 30 June 2017 (31 December 2016: Nil).

30. EVENT AFTER THE RELEVANT PERIOD

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

31. APPROVAL OF THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

These unaudited interim condensed consolidated financial statements of the Group for the Relevant Period were approved and authorised for issue in accordance with a resolution of the Board on 21 August 2017.

MANAGEMENT DISCUSSION AND ANALYSIS

MARKET OVERVIEW

Although total retail sales of consumer products increased by 10.4% for the Relevant Period, representing an increase by 0.1 percentage point from 10.3% in the corresponding period in 2016, retail sales achieved by the top 100 key and large-scale retailers also increased by 3.1% for the Relevant Period, representing an increase by 6.3 percentage points, the menswear sector in China continued to be difficult and challenging as the retail market is undergoing profound changes and has entered into a transformative phase. New technologies are revolutionizing the consumption behavior of the Chinese consumers and the way retailers operate their businesses. The competition amongst the retailers has been intensifying, whilst the Chinese consumers has become increasingly sophisticated, demanding better quality yet value for money products and services.

Confronted with the increasingly competitive market place, the Group is searching for ways to better adapt to the changing landscape. The Group reported a decline in revenue by 3.8% from RMB459.8 million in the six months ended 30 June 2016 to RMB442.4 million in the Relevant Period and a decline in profit attributable to owners of the parent by 7.5% from RMB53.3 million in the six months ended 30 June 2016 to RMB49.3 million in the Relevant Period.

FINANCIAL REVIEW

Revenue

The Group recorded revenue of RMB442.4 million in the Relevant Period representing a decrease by RMB17.4 million, or approximately 3.8% as compared to RMB459.8 million in the six months ended 30 June 2016.

By sales channel

Revenue from self-operated retail sales decreased by RMB7.8 million, or 2.3%, from RMB343.2 million in the six months ended 30 June 2016 to RMB335.4 million in the Relevant Period and accounted for approximately 75.8% (six months ended 30 June 2016: 74.6%) of total revenue. The decrease in revenue was primarily due to the continuous decline 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. This decline in traffic led to a decrease in same store sales by 1.9%. Despite the decrease in retail sales through self-operated stores, we remained 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 RMB19.3 million, or 21.3%, from RMB90.5 million in the six months ended 30 June 2016 to RMB109.8 million in the Relevant Period.

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

Revenue from sales to third-party retailers decreased by RMB10.3 million, or 11.5%, from RMB89.7 million in the six months ended 30 June 2016 to RMB79.4 million in the Relevant Period and accounted for approximately 18.0% (six months ended 30 June 2016: 19.5%) of total revenue. The decrease in revenue was primarily attributable to (i) the decrease in retail points operated by third-party retailers; (ii) the third-party retailers becoming more conservative under the current sluggish retail market conditions, especially in North China and third to fourth tier cities where a majority of our third-party retailers are located; and (iii) e-commerce presenting more choices to consumers in the third and fourth tier cities in China, thus impacting conventional retailers.

Revenue from e-commerce business increased by RMB0.7 million, or 2.6%, from RMB26.9 million in the six months ended 30 June 2016 to RMB27.6 million in the Relevant Period and accounted for approximately 6.2% (six months ended 30 June 2016: 5.9%) of total revenue. The increase in revenue from e-commerce business was primarily attributable to (i) an increase in sales from self-operated e-shops on popular e-commerce platforms such as JD.com and Tmall.com from RMB4.7 million in the six months ended 30 June 2016 to RMB6.6 million in the Relevant Period; (ii) an increase in sales to online third-party retailers from RMB9.7 million in the six months ended 30 June 2016 to RMB12.2 million in the Relevant Period; and partially offset by (iii) a decrease in sales from online discount platform such as VIP.com from RMB12.5 million in the six months ended 30 June 2016 to RMB8.8 million in the Relevant Period.

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:

	Six months ended 30 June			
	2017		2016	
	Revenue RMB million	% of total revenue	Revenue RMB million	% of total revenue
Retail sales from self-operated retailers	335.4	75.8%	343.2	74.6%
Sales to third-party retailers	79.4	18.0%	89.7	19.5%
Sales from e-commerce business	27.6	6.2%	26.9	5.9%
Total	442.4	100.0%	459.8	100.0%

FINANCIAL REVIEW (continued)

Revenue (continued)

By Brand

Revenue contributed from self-owned brands increased by RMB3.2 million, or approximately 7.3%, from RMB43.6 million in the six months ended 30 June 2016 to RMB46.8 million in the Relevant Period. Percentage of revenue from self-owned brands over total revenue also increased from 9.5% in the six months ended 30 June 2016 to 10.6% in the Relevant Period.

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

	Six months ended 30 June			
	2017		2016	
	Revenue RMB million	% of total revenue	Revenue RMB million	% of total revenue
Licensed brands	395.6	89.4%	416.2	90.5%
Self-owned brands	46.8	10.6%	43.6	9.5%
Total	442.4	100.0%	459.8	100.0%

Cost of sales

Our cost of sales decreased by RMB20.5 million, or approximately 13.6%, from RMB150.3 million in the six months ended 30 June 2016 to RMB129.8 million in the Relevant Period. The decrease in cost of sales was primarily due to a mixed effect of a decrease in inventory provisions by RMB29.9 million from RMB53.1 million in the six months ended 30 June 2016 to RMB23.2 million in the Relevant Period as a result of our initiative to reduce the level of aged inventories and partially offset by an increase in cost of inventories sold by RMB9.4 million from RMB97.2 million in the six months ended 30 June 2016 to RMB106.6 million in the Relevant Period due to an increase in number of units sold in the Relevant Period.

Gross profit and gross profit margin

Our gross profit increased by RMB3.1 million, or approximately 1.0%, from RMB309.5 million in the six months ended 30 June 2016 to RMB312.6 million in the Relevant Period. Our overall gross profit margin also increased from 67.3% in the six months ended 30 June 2016 to 70.7% in the Relevant Period which was primarily because of the decrease in inventory provisions. Save for the inventory provisions, our overall gross profit margin would have been 75.9% in the Relevant Period, as compared with the gross profit margin at 78.9% in the six months ended 30 June 2016. The decrease in gross profit margin excluding inventory provisions was mainly due to the increase in sales through outlet stores and e-commerce which have lower gross profit margins.

FINANCIAL REVIEW *(continued)***Other income and gains, net**

Our other income and gains decreased by RMB6.4 million, or approximately 43.2%, from RMB14.8 million in the six months ended 30 June 2016 to RMB8.4 million in the Relevant Period, primarily due to a decrease in other gains from changes in fair values of the foreign currency forward contracts by RMB4.2 million and a decrease in subsidy income by RMB1.8 million from RMB8.4 million in the six months ended 30 June 2016 to RMB6.6 million in the Relevant Period.

Selling and distribution expenses

Our selling and distribution expenses decreased by RMB8.8 million, or approximately 3.9%, from RMB226.7 million in the six months ended 30 June 2016 to RMB217.9 million in the Relevant Period.

Rents and concession fees for occupying concession counters within department stores and department store charges decreased by RMB12.2 million, or approximately 9.4%, from RMB129.2 million in the six months ended 30 June 2016 to RMB117.0 million in the Relevant Period, which was largely due to the decrease in sales from self-operated retail points.

The labour costs related to sales and marketing staff slightly increased from RMB45.0 million in the six months ended 30 June 2016 to RMB45.4 million in the Relevant Period. This increase was primarily attributable to the increase in basic salary of the sales and marketing staff.

The Group incurred advertising and promotion expenses of RMB8.6 million (six months ended 30 June 2016: RMB5.7 million) during the Relevant Period for organizing promotion activities and spending on social media marketing to share our brand stories and product knowledge with our customer through wechat, weibo, and mainstream websites such as Sina.com, Sohu.com etc.

Other selling and distribution expenses, including royalty fees, decoration expenses, sample expenses, travelling expenses, office expenses and other operating expenses remain consistent for both periods indicated.

Administrative expenses

Our administrative expenses increased by RMB0.9 million, or approximately 3.4%, from RMB26.1 million in the six months ended 30 June 2016 to RMB27.0 million in the Relevant Period, which was primarily due to the increase in depreciation of the new office building in Wuxi, Jiangsu Province, which was acquired in November 2016.

FINANCIAL REVIEW *(continued)*

Other expenses

Other expenses mainly represented unrealised loss from change in fair values of the foreign currency forward contract of RMB8.1 million, an impairment on trademarks – Artful Dodger of RMB1.3 million, an impairment on trade receivables of RMB0.7 million and an exchange loss of RMB2.4 million arising from the depreciation of RMB against HK\$.

Finance income

Our finance income slightly increased from RMB17.2 million in the six months ended 30 June 2016 to RMB17.4 million in the Relevant Period, representing an increase by 1.2%, which was primarily due to the increase in interest rate in structure bank deposits and short-term bank deposits during the Relevant Period.

Finance costs

The Group obtained overseas short-term bank loans from financial institutions in Hong Kong. Finance costs of RMB3.7 million (six months ended 30 June 2016: RMB3.2 million) represented bank interest expenses incurred in relation to the above bank loans in the Relevant Period.

Share of profits and losses of joint ventures

Share of profits and losses of joint ventures represented share of losses of joint ventures in MCS, Henry Cotton's and Marina Yachting of RMB0.7 million, RMB1.1 million and RMB0.2 million, respectively, in the Relevant Period (six months ended 30 June 2016: share of profit of MCS of RMB4.5 million, share of losses of Henry Cotton's and Marina Yachting of RMB1.5 million and RMB0.5 million, respectively).

Profit before tax

As a result of the foregoing factors, our profit before tax decreased by RMB2.5 million, or approximately 3.2%, from RMB77.0 million in the six months ended 30 June 2016 to RMB74.5 million in the Relevant Period.

Income tax expense

Income tax expense increased by RMB1.7 million, or approximately 7.0%, from RMB24.4 million in the six months ended 30 June 2016 to RMB26.1 million in the Relevant Period primarily due to a decrease in deferred tax income by RMB10.4 million due to the decrease in balance of inventory provisions and impairment on trade receivables and partially offset by a decrease in current income tax by RMB8.7 million, from RMB39.2 million in the six months ended 30 June 2016 to RMB30.5 million in the Relevant Period due to the decrease in profit before tax. The effective income tax rate in the Relevant Period was 35.0% (six months ended 30 June 2016: 31.7%).

FINANCIAL REVIEW *(continued)***Profit for the period**

Profit for the period decreased by RMB4.2 million, or approximately 8.0%, from RMB52.6 million in the six months ended 30 June 2016 to RMB48.4 million in the Relevant Period. The net profit margin in the Relevant Period was 10.9% which was largely consistent with that of 11.4% in the six months ended 30 June 2016.

Profit attributable to owners of the parent

As a result of the foregoing, profit attributable to owners of the parent decreased by RMB4.0 million, or approximately 7.5%, from RMB53.3 million in the six months ended 30 June 2016 to RMB49.3 million in the Relevant Period.

Working Capital Management

	30 June 2017	31 December 2016
Inventory turnover days	333	359
Trade receivables turnover days	36	44
Trade payables turnover days	43	45

The decrease in inventory turnover by 26 days was mainly due to the decrease in inventory turnover days for inventories aged within one year by 38 days resulted from the decrease in procurement of products. In the meantime, the inventory balance also decreased by RMB37.2 million, or approximately 14.4%, from RMB258.8 million as at 31 December 2016 to RMB221.6 million as at 30 June 2017.

The turnover days of trade receivables and trade payables were consistent for both periods indicated.

Liquidity, financial position and cash flows

As at 30 June 2017, we had net current assets of approximately RMB831.6 million, as compared to RMB811.0 million as at 31 December 2016. The current ratio of our Group was 2.3 as at 30 June 2017, as compared to that of 2.2 as at 31 December 2016.

As at 30 June 2017, the Group had secured banking facilities of RMB373.2 million and there was no undrawn banking facilities.

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

As at 30 June 2017, we had an aggregate structured bank deposits, pledged bank deposits and cash and cash equivalents of approximately RMB1,090.4 million. The table below sets forth selected cash flow data from our interim condensed consolidated statement of cash flows:

	Six months ended 30 June	
	2017	2016
	RMB million	RMB million
	(Unaudited)	(Unaudited)
Net cash flows from operating activities	63.7	81.6
Net cash flows used in investing activities	(76.4)	(90.0)
Net cash flows used in financing activities	(0.3)	(0.1)
Net decrease in cash and cash equivalents	(13.0)	(8.5)
Effect of foreign exchange rate changes, net	2.8	1.8
Cash and cash equivalents at the beginning of the period	157.8	172.3
Cash and cash equivalents at the end of the period	147.6	165.6

Operating activities

Net cash flows from operating activities decreased by RMB17.9 million from RMB81.6 million in the six months ended 30 June 2016 to RMB63.7 million in the Relevant Period which was primarily attributable to (i) the operating cash inflows before changes in working capital of RMB106.7 million (six months ended 30 June 2016: RMB129.6 million); and (ii) changes in working capital representing a decrease of cash of RMB43.0 million (six months ended 30 June 2016: RMB48.0 million) which mainly arose from the decrease in deposits received, other payables and accruals by RMB34.7 million.

Investing activities

Net cash flows used in investing activities of RMB76.4 million in the Relevant Period mainly represented an increase of investment in bank deposits with original maturity of over three months of RMB35.6 million and an increase of investment in available-for-sale investment of RMB49.0 million.

Financing activities

There was no material cash flows used in financing activities in the Relevant Period.

FINANCIAL REVIEW *(continued)*

Gearing Ratio

The gearing ratio of the Group which is calculated by dividing total borrowings by total equity was 21.9% as at 30 June 2017 (31 December 2016: 23.2%). Further details of the Group's bank borrowings are set out in note 20 of the notes to the interim condensed consolidated financial statements.

Pledge of group assets

As at 30 June 2017, short-term bank deposits of RMB425.7 million have been pledged as security for obtaining banking facilities of the Group. The Group also pledged short-term bank deposits of RMB1.6 million for foreign currency forward contracts.

Capital commitments and contingent liabilities

As at 30 June 2017, the Group had capital commitments of approximately RMB126.9 million (31 December 2016: RMB5.2 million) and there was no significant contingent liabilities (31 December 2016: Nil).

Foreign exchange management

We conduct business primarily in Hong Kong and PRC with most of our transactions denominated and settled in 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.

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 2017. All the unused proceeds were deposited into licensed banks in the PRC and Hong Kong:

Use of fund raised

	Percentage to total amount	Net proceeds (HK\$ million)	Utilised amount as at 30 June 2017 (HK\$ million)	Unutilised amount as at 30 June 2017 (HK\$ million)
Licensing or acquisition of additional recognised international brands	47%	380.7	234.5	146.2
Expansion and enhancement of existing logistical system	24%	193.1	193.1	–
Settlement of shareholder’s loan	19%	152.8	147.1	5.7
General working capital	10%	77.3	–	77.3
	100%	803.9	574.7	229.2

There was no material IPO proceeds used during the Relevant Period.

OPERATION REVIEW

Retail and distribution network

As at 30 June 2017, our sales network comprised a total of 620 self-operated retail points, consisting of concession counters and standalone stores, and 413 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 2017 and 31 December 2016:

Brand	As at 30 June 2017			As at 31 December 2016		
	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	211	388	599	210	409	619
– Spirit*	50	6	56	50	9	59
SBPRC	160	18	178	166	31	197
London Fog	56	–	56	57	1	58
MCS	45	–	45	46	–	46
Zoo York	29	1	30	25	3	28
Others	69	–	69	60	–	60
Total	620	413	1,033	614	453	1,067

* including 25 and 26 retail points of Jeep lady as at 30 June 2017 and 31 December 2016, respectively

OPERATION REVIEW *(continued)*

Retail and distribution network *(continued)*

Self-operated retail points

As at 30 June 2017, we had a network of 604 self-operated concession counters (31 December 2016: 592 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) etc., among which a total of 160 were outlet stores as at 30 June 2017 (31 December 2016: 153 outlet stores).

As at 30 June 2017, we had a network of 16 standalone stores (31 December 2016: 22 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 challenging market conditions and ever-evolving consumer behavior, we remained committed to our channel strategy by:

- a net increase of 7 outlet stores in response to changes in consumer behavior and rapid sales growth in outlet store channel; and
- a net increase of 14 new retail points for the expansion and development of our new brands such as Barbour, LINC'S, Marina Yachting and Zoo York in the Relevant Period.

Retail points operated by third party retailers

Under current uncertain and ever-changing market conditions, our third-party retailers have become more conservative in placing orders and opening new stores. As at 30 June 2017, we had a total of 413 retail points that were operated by third-party retailers, representing a decrease of 8.8% as compared to that of 453 at 31 December 2016.

E-commerce

We launched our e-commerce business in 2013 and sold off-season products through online sales channels. In the Relevant Period, we continued to actively organize sales fairs on online discount platform such as VIP.com, develop more online third-party retailers for online retailing of our products and increase 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

MCS provided some of the apparel for Mr. Andy Lau (劉德華先生), the prominent actor, in the movie "Shock Wave" (拆彈專家) which was shown in cinemas in April 2017.

LINCS

During the Relevant Period, LINCS continued to sponsor apparel for the China Entrepreneur Golf Team and the award for the "Longest Drive Prize" in the golf event "BMW Daonong Cup" Challenge, the leading amateur golf event in China.

Marina Yachting

During the Relevant Period, Marina Yachting sponsored apparel for the Children's Choir of Shanghai Poly Grand Theater (上海保利大劇院童聲合唱團) for the 8th World Peace Choral Festival (第八屆世界和平合唱節) in Vienna, Austria, and the Children's Choir won the Silver Prize in the Event.

Slava's Snowshow

We, in collaboration with the Beijing Loving Animals Foundation (北京愛它動物保護公益基金), sponsored the "Slava's Snowshow" (下雪啦) which was shown on the Shanghai Poly Grand Theater on 1 January 2017. The "Slava's Snowshow", created by the Russian performance artist Mr. Slava Polunin, is a world renown show and over 1,000 celebrities attended the event.

Royal Highness

During the Relevant Period, we also provided apparel of a number of our brands (including Barbour, Jeep, Henry Cotton's, LINCS, Marina Yachting, MCS and Santa Barbara Polo & Racquet Club) to the TV show "Royal Highness" from the popular web fiction "回到明朝當王爺" that is available on www.qidian.com, the leading online platform for web fiction.

Design and product development

The local design team continues to keep abreast of the latest trends and developments in new designs, through our collaborations with the international design teams from MCS, Henry Cotton's and Marina Yachting in Milan and Venice, Barbour in London, LINCS in New York, Greg Norman in Sydney and Zoo York in Hong Kong.

OPERATION REVIEW *(continued)*

Production and supply chain

We developed an O2O system that is tailored to our retail network and allows our customers to make purchases on demand even if the desired item is out of stock at a particular location. This in turn both enhances customers' shopping experience and drives our sales. Sales contributed by the system increased by RMB25.0 million, or approximately 75.3%, from RMB33.2 million in the six months ended 30 June 2016 to RMB58.2 million in the Relevant Period.

From 2017 fall/winter season and onwards, microchips with Radio Frequency Identification (RFID) technology will be implanted on product tag of our products. RFID reading devices will also be equipped in our new logistic center in Shanghai to read and identify product information. The use of this new technology will significantly improve the operational efficiency, from product receiving, positioning, stocktaking to order fulfillment process, and accelerate the transforming of our warehousing system into a B2C logistics center for direct distribution of product to customers.

Employee information

As at 30 June 2017, the Group had approximately 2,629 full-time employees. Staff costs, including Directors' remuneration, totaled RMB57.6 million in the Relevant Period (six months ended 30 June 2016: RMB52.1 million).

The Company also operated a Share Option Scheme and a 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 84,012,000 options under the Pre-IPO Share Option Scheme that was granted to 17 participants (including 7 directors) remained outstanding as at 30 June 2017.

Corporate Social Responsibility and Sustainability Initiatives

Being a responsible corporate citizen is a core fundamental of our culture. In the Relevant Period, the Group continued to participate in 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) and the sponsorship of "I fly" (愛飛翔) training program for village school teachers organised by the Chinese Red Cross Foundation and Cui Yong Yuan Commonwealth Foundation (崔永元公益基金) for the purpose of supporting education in rural areas of China. A total donation of approximately RMB0.3 million was made by the Group to the above programs in the Relevant Period.

OPERATION REVIEW *(continued)*

Corporate Social Responsibility and Sustainability Initiatives *(continued)*

During the Relevant Period, the Group is also looking for opportunities to reduce the consumption of paper, electricity and other resources in order to reduce the impact to the environment and set reduction targets as appropriate.

Prospects

Management will continue to focus on the following key objectives for the second half of 2017:

- Stock clearance of aged inventories will be our first priority for the second half of 2017. We seek to increase the number of outlet stores as well as factory outlets with higher discounts in cities or counties where neither our self-operated or third-party retailers operated retail networks have been established. Bargain sales within department stores or shopping malls will be organized and temporary pop-up stores will also be set up to sell past season inventories. In addition, we will also actively organize sales fairs on online discount platforms, develop more online third-party retailers and increase sales from our self-operated e-shops to reduce the level of inventories;
- We will continue to encourage sales staff and third-party retailers to use our self-developed O2O system to improve the store conversion rate and accelerate the response to ultimate consumers' demands for our products. Our self-developed Customer Relationship Management (CRM) system will also be online in the second half of 2017 to improve the interaction between the customers and us; and
- We will continue to explore the "new form" of the conventional retail stores which combines sophisticated store decorations, digitalization of product offerings and superior customer experience.

INTERIM DIVIDENDS

The Board does not recommend to declare any interim dividends for the Relevant Period (six months ended 30 June 2016: Nil).

OTHER INFORMATION DISCLOSURE OF INTERESTS

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

As at 30 June 2017, 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	Nature of Interest	Number of Ordinary Shares Owned	Underlying Shares Interested (Note 1)	Total	Percentage of the Company's issued share capital (%)
Mr. LO Peter	Beneficial owner	1,000,000	10,164,000	11,164,000	0.32
Mr. ZHANG Yongli	Beneficial owner	9,028,000	10,164,000	19,192,000	0.56
	Corporate interest (Note 2)	1,789,636,000	-	1,789,636,000	51.94
Mr. SUN David Lee	Beneficial owner	452,000	4,164,000	4,616,000	0.13
Ms. HUANG Xiaoyun	Beneficial owner	600,000	7,200,000	7,800,000	0.23
Mr. KWONG Wilson Wai Sun	Beneficial owner	-	500,000	500,000	0.01
Mr. CUI Yi	Beneficial owner	-	500,000	500,000	0.01
Mr. YEUNG Chi Wai	Beneficial owner	-	500,000	500,000	0.01

Note:

- (1) The number of underlying shares represents the shares in which the Directors are deemed to be interested as a result of holding share options.
- (2) CEC Outfitters Limited, holding 1,789,636,000 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 Yongli.

Save as disclosed above, as at 30 June 2017, 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 2017, 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 Position:

Name	Notes	Nature of Interest	Number of Shares	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 Yongli	(1)	Corporate interest	1,789,636,000	51.94
	(1)	Beneficial owner	19,192,000	0.56
Vinglory Holdings Limited	(1)	Corporate interest	1,789,636,000	51.94
CEC Outfitters Limited	(1)	Beneficial owner	1,786,656,000	51.86
Managcorp Limited	(2)	Trustee	482,176,000	13.99
Ms. LAM Lai Ming	(2)	Other	482,176,000	13.99
Mr. LI Gabriel	(2)	Other	482,176,000	13.99
YM Investment Limited	(3)	Corporate interest	482,176,000	13.99
Orchid Asia IV Investment, Limited	(3)	Corporate interest	472,570,000	13.72
Orchid Asia IV Group, Limited	(3)	Corporate interest	472,570,000	13.72
Orchid Asia IV Group Management, Limited	(3)	Corporate interest	472,570,000	13.72
OAIV Holdings, L.P.	(3)	Corporate interest	472,570,000	13.72
Orchid Asia IV, L.P.	(3)	Beneficial owner	472,570,000	13.72
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:

- (1.1) CEC Outfitters Limited, holding 1,789,636,000 shares (long position) of the Company, was owned as to 56.13% and 43.87% by CEC Menswear and Vinglory, respectively. CEC Menswear was wholly owned by China Enterprise Capital Limited. Vinglory was wholly owned by Mr. ZHANG Yongli. The interest in 1,789,636,000 shares (long position) relates to the same block of shares in the Company.
- (1.2) Mr. ZHANG Yongli held interests in a total of 19,192,000 shares (long position) of the Company, including 10,164,000 underlying shares interested as a result of holding share options.
- (2) YM Investment Limited, holding 482,176,000 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 482,176,000 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 472,570,000 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 9,606,000 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 interest 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 2017, no person, other than the Directors and chief executives of the Company, whose interests are set out in the section "Directors' and Chief Executives' 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 1,342,000 shares of the Company at a total consideration of about HK\$378,000 (equivalent of RMB319,000) were purchased on the Stock Exchange for the Relevant period.

SHARE OPTION SCHEMES

The Company operates a Share Option Scheme and a 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 and the Pre-IPO Share Option Scheme were conditionally approved by the written resolutions of the shareholders passed on 25 November 2011. As at the end of the Relevant Period, no share options had been granted under the Share Option Scheme. 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. Details of both schemes are set out in the published annual report of the Company for the year ended 31 December 2016.

Pre-IPO Share Option Scheme

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

Category of grantees	Name of director	Date of grant	Exercise price (HK\$)	Outstanding at 1.1.2017	Granted during the period	Exercised during the period	Cancelled during the period	Lapsed during the period	Outstanding at 30.06.2017	Vesting and exercise period
Executive director	Mr. LO Peter	25 November 2011	1.64	10,164,000	-	-	-	-	10,164,000	Note
Executive director	Mr. ZHANG Yongli	25 November 2011	1.64	10,164,000	-	-	-	-	10,164,000	Note
Executive director	Mr. SUN David Lee	25 November 2011	1.64	4,164,000	-	-	-	-	4,164,000	Note
Executive director	Ms. HUANG Xiaoyun	25 November 2011	1.64	7,200,000	-	-	-	-	7,200,000	Note
Independent non-executive director	Mr. KWONG Wilson Wai Sun	25 November 2011	1.64	500,000	-	-	-	-	500,000	Note
Independent non-executive director	Mr. CUI Yi	25 November 2011	1.64	500,000	-	-	-	-	500,000	Note
Independent non-executive director	Mr. YEUNG Chi Wai	25 November 2011	1.64	500,000	-	-	-	-	500,000	Note
Employees in aggregate	-	25 November 2011	1.64	48,656,000	-	-	-	-	48,656,000	Note
Other eligible grantees in aggregate	-	25 November 2011	1.64	2,164,000	-	-	-	-	2,164,000	Note

Note: 50% of the outstanding options as at 30 June 2017 were vested and exercisable on 9 December 2014 and the remaining 50% outstanding options as at 30 June 2017 were vested and exercisable on 9 December 2015. Each option outstanding has a three-year exercise period after vesting of the relevant option.

Details of the share options granted by the Company under the Pre-IPO Share Option Scheme are set out on pages 32 to 33 of the interim report.

Save as disclosed above, no share option granted under Pre-IPO Share Option Scheme was exercised, forfeited, lapsed or cancelled during the Relevant Period.

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.

DIRECTORS' SECURITIES TRANSACTIONS

The Company has devised its own code of conduct regarding Directors' dealings in the Company's securities and securities transactions by employees who are likely to be in possession of unpublished price-sensitive information of the Company (the "Code of Conduct") on terms no less exacting than the Model Code for Securities Transactions by Directors of Listed Issuers as set out in Appendix 10 to the Listing Rules.

All Directors have confirmed, following specific enquiry by the Company, that they have complied with the required standard set out in the Model Code and the Code of Conduct for the Relevant Period.

CHANGE OF DIRECTORS' INFORMATION

Pursuant to Rule 13.51B of the Listing Rules, the change in information of Directors since the date of the 2016 annual report of the Company is set out below:

Name of Director	Details of Change
Kwong Wilson Wai Sun	Appointed as an independent non-executive director of China New Higher Education Group Limited, a company listed on the Main Board of the Stock Exchange (Stock Code: 2001), with effect from 20 March 2017.

AUDIT COMMITTEE

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

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

21 August 2017