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

2018
Interim Report

Contents

CORPORATE INFORMATION

Executive directors
Mr. ZHANG Yongli
(Chairman & Chief Executive Officer)
Mr. SUN David Lee
Ms. HUANG Xiaoyun
(Chief Financial Officer)

Non-executive director
Mr. WANG Wei

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
Ms. HUANG Xiaoyun
Ms. LI Rita Yan Wing

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. ZHANG Yongli *(Chairman)*
Mr. YEUNG Chi Wai
Mr. KWONG Wilson Wai Sun

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Shanghai, PRC

Principal place of business in Hong Kong
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New East Ocean Centre
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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		
	2018 (Unaudited)	2017 (Unaudited)	% change
Revenue (RMB million)	**445.7**	442.4	0.7%
Gross profit (RMB million)	**333.1**	312.6	6.6%
Operating profit (RMB million)	**76.1**	63.5	19.8%
Profit attributable to equity holders of the parent (RMB million)	**57.2**	49.3	16.0%
Earnings per share – Basic (RMB cents)[1]	**1.67**	1.44	16.0%
Gross profit margin	**74.7%**	70.7%	4.0 p.p.t.
Operating profit margin	**17.1%**	14.4%	2.7 p.p.t.
Net profit margin	**13.1%**	10.9%	2.2 p.p.t.
Effective tax rate	**35.5%**	35.0%	0.5 p.p.t.

	As at 30 June 2018 (Unaudited)	As at 31 December 2017 (Audited)	Change
Current ratio (times)[2]	**4.5**	3.9	0.6 times
Trade receivables turnover days (days)[3]	**42**	44	(2 days)
Trade payables turnover days (days)[4]	**39**	36	3 days
Inventory turnover days (days)[5]	**251**	269	(18 days)

Key ratios:

1. Basic earnings per share = Profit attributable to equity holders of the parent/weighted average number of ordinary shares (the weighted average number of shares in the six months ended 30 June 2018 was 3,425,688,000 versus 3,434,850,344 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

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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 2018 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

20 August 2018

INTERIM CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS
For the six months ended 30 June 2018

	Notes	Six months ended 30 June 2018 RMB'000 (Unaudited)	2017 RMB'000 (Unaudited)
Revenue	4	**445,716**	442,376
Cost of sales		**(112,582)**	(129,816)
Gross profit		**333,134**	312,560
Other income and gains	4	**35,279**	8,357
Selling and distribution expenses		**(253,560)**	(217,878)
Administrative expenses		**(27,401)**	(27,047)
Other expenses		**(11,359)**	(12,506)
Operating profit		**76,093**	63,486
Finance income	5	**13,196**	17,388
Finance costs		**–**	(3,743)
Share of profits and losses of:			
Joint ventures		**1,537**	(2,000)
An associate		**(512)**	(584)
PROFIT BEFORE TAX	6	**90,314**	74,547
Income tax expense	7	**(32,076)**	(26,105)
PROFIT FOR THE PERIOD		**58,238**	48,442
Attributable to:			
Equity holders of the parent		**57,176**	49,305
Non-controlling interests		**1,062**	(863)
		58,238	48,442
Earnings per share (EPS):			
Basic and diluted, profit for the period attributable to ordinary equity holders of the parent	9	**RMB1.67cents**	RMB1.44cents

INTERIM CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the six months ended 30 June 2018

	Notes	Six months ended 30 June 2018 RMB'000 (Unaudited)	2017 RMB'000 (Unaudited)
PROFIT FOR THE PERIOD		**58,238**	48,442
OTHER COMPREHENSIVE INCOME			
Other comprehensive income to be reclassified to profit or loss in subsequent periods (net of tax):			
Available-for-sale investments:			
Changes in fair value		**–**	(4,023)
Exchange differences on translation of foreign operations		**5,434**	5,760
Net other comprehensive income to be reclassified to profit or loss in subsequent periods, net of tax		**5,434**	1,737
Other comprehensive loss not to be reclassified to profit or loss in subsequent periods (net of tax):			
Net loss on equity instruments at fair value through other comprehensive income		**(12,946)**	–
Net other comprehensive loss not being reclassified to profit or loss in subsequent periods, net of tax		**(12,946)**	–
Other comprehensive income/(loss), net of tax		**(7,512)**	1,737
TOTAL COMPREHENSIVE INCOME, NET OF TAX		**50,726**	50,179
Attributable to:			
Equity holders of the parent		**49,682**	51,084
Non-controlling interests		**1,044**	(905)
		50,726	50,179

INTERIM CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 30 June 2018

	Notes	**30 June 2018 RMB'000 (Unaudited)**	31 December 2017 RMB'000 (Audited)
NON-CURRENT ASSETS			
Property, plant and equipment	10	**279,334**	241,718
Prepaid land lease payments	12	**40,893**	41,417
Investment properties		**31,079**	28,865
Investment in joint ventures		**145,251**	141,923
Investment in an associate		**14,218**	14,606
Available-for-sale investments	13	**–**	60,961
Equity instruments at fair value through other comprehensive income	13	**42,955**	–
Goodwill		**70,697**	70,697
Other intangible assets	10	**78,922**	81,300
Deferred tax assets		**175,402**	178,692
Total non-current assets		**878,751**	860,179
CURRENT ASSETS			
Inventories	14	**143,051**	170,828
Properties under development	15	**94,314**	69,153
Trade and bills receivables	16	**92,910**	117,156
Prepayments, deposits and other receivables	17	**133,681**	154,935
Dividend receivable		**4,942**	10,095
Structured bank deposits	18	**294,933**	494,735
Financial assets at fair value through profit or loss		**201,702**	–
Cash and cash equivalents	19	**224,820**	199,695
Total current assets		**1,190,353**	1,216,597

INTERIM CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION *(continued)*

As at 30 June 2018

	Notes	**30 June 2018 RMB'000 (Unaudited)**	31 December 2017 RMB'000 (Audited)
CURRENT LIABILITIES			
Trade payables	20	**23,777**	25,045
Other payables and accruals	21	**99,691**	130,486
Tax payable		**142,929**	158,509
Total current liabilities		**266,397**	314,040
NET CURRENT ASSETS		**923,956**	902,557
TOTAL ASSETS LESS CURRENT LIABILITIES		**1,802,707**	1,762,736
NON-CURRENT LIABILITIES			
Deferred tax liabilities		**18,188**	26,929
Net assets		**1,784,519**	1,735,807
EQUITY			
Equity attributable to equity holders of the parent			
Share capital	22	**280,661**	280,661
Shares held for share award scheme		**(9,781)**	(9,781)
Reserves		**1,513,458**	1,464,222
		1,784,338	1,735,102
Non-controlling interests		**181**	705
Total equity		**1,784,519**	1,735,807

INTERIM CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the six months ended 30 June 2018

	Attributable to the equity holders of the parent												
	Issued capital RMB'000 (note 22)	Shares held for Share Award Scheme RMB'000 (note 24)	Capital redemption reserve RMB'000	Merger reserve RMB'000	Acquisition reserve RMB'000	Share option reserve RMB'000 (note 23)	Fair value reserve of financial assets at FVOCI RMB'000	Statutory surplus reserve RMB'000	Exchange fluctuation reserve RMB'000	Retained profits RMB'000	Total RMB'000	Non-controlling interests RMB'000	Total equity RMB'000
Unaudited													
At 1 January 2018 (audited)	280,661	(9,781)	543	389,848	(186,036)	14,014	(2,787)	60,988	8,774	1,178,878	1,735,102	705	1,735,807
Impact on initial application of IFRS 9	-	-	-	-	-	-	(874)	-	-	(1,140)	(2,014)	-	(2,014)
At 1 January 2018 (restated)	280,661	(9,781)	543	389,848	(186,036)	14,014	(3,661)	60,988	8,774	1,177,738	1,733,088	705	1,733,793
Profit for the period	-	-	-	-	-	-	-	-	-	57,176	57,176	1,062	58,238
Other comprehensive income for the period:													
Net loss on equity instruments at fair value through other comprehensive income	-	-	-	-	-	-	(12,946)	-	-	-	(12,946)	-	(12,946)
Exchange differences on translation of foreign operations	-	-	-	-	-	-	-	-	5,452	-	5,452	(18)	5,434
Total comprehensive income for the period	-	-	-	-	-	-	(12,946)	-	5,452	57,176	49,682	1,044	50,726
Appropriations to statutory surplus reserve	-	-	-	-	-	-	-	1,023	-	(1,023)	-	-	-
Lapse of share options	-	-	-	-	-	(1,637)	-	-	-	1,637	-	-	-
Acquisition of non-controlling interests	-	-	-	-	1,568	-	-	-	-	-	1,568	(1,568)	-
At 30 June 2018	280,661	(9,781)	543*	389,848*	(184,468)*	12,377*	(16,607)*	62,011*	14,226*	1,235,528*	1,784,338	181	1,784,519

* These components of equity comprise the consolidated reserves of RMB1,513,458,000 (31 December 2017: RMB1,464,222,000) in the interim condensed consolidated statement of financial position as at 30 June 2018.

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

For the six months ended 30 June 2017

	Attributable to the equity holders of the parent												
	Issued capital RMB'000 (note 22)	Shares held for Share Award Scheme RMB'000 (note 24)	Capital redemption reserve RMB'000	Merger reserve RMB'000	Acquisition reserve RMB'000	Share option reserve RMB'000 (note 23)	Available-for sale Investment Revaluation reserve RMB'000	Statutory surplus reserve RMB'000	Exchange fluctuation reserve RMB'000	Retained profits RMB'000	Total RMB'000	Non-controlling interests RMB'000	Total equity 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

INTERIM CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS
For the six months ended 30 June 2018

	Notes	2018 RMB'000 (Unaudited)	2017 RMB'000 (Unaudited)
		Six months ended 30 June	
Operating activities			
Profit before tax		90,314	74,547
Adjustments to reconcile profit before tax to net cash flows:			
Depreciation of property, plant and equipment	6	6,877	7,978
Depreciation of investment properties	6	880	143
Amortisation of prepaid land lease payments	6	524	1,059
Amortisation of other intangible assets	6	786	786
Gains on disposal of property, plant and equipment		(118)	(16)
Write-down of inventories to net realisable value	6	74,523	69,542
Reversal of impairment of inventories	6	(82,718)	(46,390)
Share of (profits)/losses of joint ventures		(1,537)	2,000
Share of loss of an associate		512	584
Fair value losses/(gains), net:			
Derivative instruments – transactions not qualifying as hedges	6	–	8,070
Financial assets at FVPL – structured bank deposits		(1,244)	–
Impairment of other intangible assets	6	2,206	1,272
Impairment of trade receivables	6	–	720
Reversal of impairment of trade receivables		(1,025)	–
Impairment of other receivables	6	2,500	–
Finance costs		–	3,743
Finance income	5	(13,196)	(17,388)
		79,284	106,650
Decrease in inventories		38,666	16,356
Decrease in trade receivables		23,293	31,553
Increase in prepayments, deposits and other receivables		(32,381)	(12,474)
Decrease in trade payables		(1,268)	(2,393)
Decrease in other payables and accruals		(30,795)	(34,747)

INTERIM CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

(continued)

For the six months ended 30 June 2018

	Notes	Six months ended 30 June 2018 RMB'000 (Unaudited)	2017 RMB'000 (Unaudited)
Cash generated from operations		**76,799**	104,945
PRC corporate income tax paid		**(38,110)**	(36,047)
Withholding tax paid		**(10,301)**	(1,428)
Interest paid		**–**	(3,743)
Net cash flows from operating activities		**28,388**	63,727
Investing activities			
Proceeds from disposal of items of property, plant and equipment		**419**	202
Purchase of items of property, plant and equipment		**(47,634)**	(5,052)
Purchase of items of properties under development		**(645)**	–
Decrease/(Increase) in short term deposits with original maturity of over three months		**606**	(35,623)
Interest received from bank deposits		**1,535**	707
Interest received from structured bank deposits		**8,280**	16,681
Increase in structured bank deposits		**(198)**	(4,281)
Proceeds from loan to a third-party entity		**30,000**	–
Dividends received from a joint venture		**5,153**	–
Loan to a joint venture		**(3,541)**	–
Purchase of available for sale investments		**–**	(49,020)
Net cash flows used in investing activities		**(6,025)**	(76,386)

INTERIM CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS
(continued)
For the six months ended 30 June 2018

	Notes	Six months ended 30 June 2018 RMB'000 (Unaudited)	2017 RMB'000 (Unaudited)
Financing activities			
Purchase of shares for share award scheme		–	(319)
Net cash flows used in financing activities		–	(319)
Net increase/(decrease) in cash and cash equivalents		22,363	(12,978)
Effect of foreign exchange rate changes, net		3,368	2,850
Cash and cash equivalents at 1 January		127,389	157,746
Cash and cash equivalents at 30 June		153,120	147,618
Analysis of balances of cash and cash equivalents			
Cash and bank balances	19	153,120	146,014
Time deposits		71,700	38,623
Cash and cash equivalents as stated in the interim condensed consolidated statement of financial position	19	224,820	184,637
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
Less: Time deposits with original maturity of over three months		(71,700)	(38,623)
Cash and cash equivalents as stated in the interim condensed consolidated statement of cash flows		153,120	147,618

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

30 June 2018

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 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 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 2018 (the "Relevant Period").

2. BASIS OF PREPARATION AND CHANGES TO THE GROUP'S ACCOUNTING POLICIES

Basis of preparation

These interim condensed consolidated financial statements for 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 2017.

2. BASIS OF PREPARATION AND CHANGES TO THE GROUP'S ACCOUNTING POLICIES *(continued)*

New standards, interpretations and amendments adopted by the Group

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 2017, except for the adoption of new standards and interpretations effective as of 1 January 2018. The Group has not early adopted any other standard, interpretation or amendment that has been issued but is not yet effective.

The Group applies, for the first time, IFRS 15 *Revenue from Contracts with Customers* and IFRS 9 *Financial Instruments* that require restatement of previous financial statements. As required by IAS 34, the nature and effect of these changes are disclosed below.

Several other amendments and interpretations apply for the first time in 2018, but do not have an impact on the interim condensed consolidated financial statements of the Group.

IFRS 15 Revenue from Contracts with Customers

IFRS 15 supersedes IAS 11 *Construction Contracts*, IAS 18 *Revenue* and related Interpretations and it applies to all revenue arising from contracts with customers, unless those contracts are in the scope of other standards. The new standard establishes a five-step model to account for revenue arising from contracts with customers. Under IFRS 15, revenue is recognised at an amount that reflects the consideration to which an entity expects to be entitled in exchange for transferring goods or services to a customer.

The standard requires entities to exercise judgement, taking into consideration all of the relevant facts and circumstances when applying each step of the model to contracts with their customers. The standard also specifies the accounting for the incremental costs of obtaining a contract and the costs directly related to fulfilling a contract.

The Group adopted IFRS 15 using the modified retrospective method of adoption.

2. BASIS OF PREPARATION AND CHANGES TO THE GROUP'S ACCOUNTING POLICIES *(continued)*

New standards, interpretations and amendments adopted by the Group *(continued)*

IFRS 15 Revenue from Contracts with Customers *(continued)*

(a) *Sale of goods*

The Group's contracts with customers for the sale of goods generally include one performance obligation. The Group has concluded that revenue from sale of goods should be recognised at the point in time when control of the asset is transferred to the customer, generally on delivery of the goods. Therefore, the adoption of IFRS 15 did not have an impact on the timing of revenue recognition.

(b) *presentation and disclosure requirements*

The application of IFRS 15 in the current interim period has had no material impact on the amounts and/or disclosures reported in these condensed consolidated financial statements. Refer to Note 4 for the disclosure on revenue.

IFRS 9 Financial Instruments

IFRS 9 *Financial Instruments* replaces IAS 39 *Financial Instruments: Recognition and Measurement* for annual periods beginning on or after 1 January 2018, bringing together all three aspects of the accounting for financial instruments: classification and measurement; impairment and hedge accounting.

The Group has applied IFRS 9 retrospectively and recognized cumulative effect of the initial application of IFRS 9 as an adjustment to the opening balance of equity at 1 January 2018. Comparative information is not restated.

2. BASIS OF PREPARATION AND CHANGES TO THE GROUP'S ACCOUNTING POLICIES *(continued)*

New standards, interpretations and amendments adopted by the Group *(continued)*

IFRS 9 Financial Instruments *(continued)*

The effect of adopting IFRS 9 in the interim condensed consolidated statement of financial position is as follows:

	At 31 December 2017 RMB'000	Impact on initial application of IFRS 9 RMB'000	At 1 January 2018 RMB'000
Assets			
Available-for-sale investments	60,961	(60,961)	–
Equity instruments at fair value through other comprehensive income	–	60,087	60,087
Deferred tax assets	178,692	494	179,186
Total non-current assets	860,179	(380)	859,799
Trade and bills receivables	117,156	(1,978)	115,178
Structured bank deposits	494,735	(389,100)	105,635
Financial assets at fair value through profit or loss	–	389,558	389,558
Total current assets	1,216,597	(1,520)	1,215,077
Total assets	2,076,776	(1,900)	2,074,876
Equity			
Reserves	1,464,222	(2,014)	1,462,208
Total equity	1,735,807	(2,014)	1,733,793
Liabilities			
Deferred tax liabilities	26,929	114	27,043
Total non-current liabilities	26,929	114	27,043
Total liabilities	340,969	114	341,083

2. BASIS OF PREPARATION AND CHANGES TO THE GROUP'S ACCOUNTING POLICIES *(continued)*

New standards, interpretations and amendments adopted by the Group *(continued)*

IFRS 9 Financial Instruments *(continued)*

The following table summarises the impact of transition to IFRS 9 on retained earnings, other comprehensive income and the related tax impact at 1 January 2018:

	RMB'000
Retained earnings	
Transfer to retained earnings relating to financial assets now measured at FVPL	458
Recognition of additional expected credit losses on:	
– financial assets measured at amortised cost	(1,978)
Related deferred tax impact	380
Net decrease in retained earnings at 1 January 2018	(1,140)
Other comprehensive income	
Fair value reserve of financial assets at FVOCI	(874)
Net decrease in other comprehensive income at 1 January 2018	(874)

(a) *Classification and measurement*

Under IFRS 9, debt financial instruments are subsequently measured at fair value through profit or loss (FVPL), amortised cost, or fair value through other comprehensive income (FVOCI). The classification is based on two criteria: the Group's business model for managing the assets; and whether the instruments' contractual cash flows represent 'solely payments of principal and interest' on the principal amount outstanding (the 'SPPI criterion').

2. BASIS OF PREPARATION AND CHANGES TO THE GROUP'S ACCOUNTING POLICIES *(continued)*

New standards, interpretations and amendments adopted by the Group *(continued)*

IFRS 9 Financial Instruments *(continued)*

(a) Classification and measurement (continued)

The new classification and measurement of the Group's financial assets are as follows:

- Debt instruments at amortised cost that are held within a business model with the objective to hold the financial assets in order to collect contractual cash flows that meet the SPPI criterion. This category includes the Group's trade and bills receivables, other receivables and certain structured bank deposits with fixed interest rate.

Other financial assets are classified and subsequently measured, as follows:

- Equity instruments at FVOCI, with no recycling of gains or losses to profit or loss on derecognition. This category only includes equity instruments, which the Group intends to hold for the foreseeable future and which the Group has irrevocably elected to so classify upon initial recognition or transition. The Group classified both of its quoted and unquoted equity instruments as equity instruments at FVOCI. Equity instruments at FVOCI are not subject to an impairment assessment under IFRS 9.

  Under IAS 39, the Group's above equity instruments were classified as available-for-sale investments. Under IAS 39, the Group's unquoted equity investments with a carrying amount of RMB15,882,000 were measured at cost as at 31 December 2017, and the Group's quoted equity investments with a carrying amount of RMB45,079,000 were measured at fair value as at 31 December 2017. These equity investments are classified as equity instruments at FVOCI under IFRS 9 by the Group as at 1 January 2018, resulting in an increase in *Equity instruments at FVOCI* amounting to RMB60,087,000 and a decrease in *Other comprehensive income* amounting to RMB874,000.

2. BASIS OF PREPARATION AND CHANGES TO THE GROUP'S ACCOUNTING POLICIES *(continued)*

New standards, interpretations and amendments adopted by the Group *(continued)*

IFRS 9 Financial Instruments *(continued)*

(a) Classification and measurement (continued)

- Financial assets at FVPL include debt instruments whose cash flow characteristics fail the SPPI criterion or are not held within a business model whose objective is either to collect contractual cash flows, or to both collect contractual cash flows and sell. This category includes the Group's structured bank deposits with floating interest rate.

  Under IAS 39, structured bank deposits with floating interest rate were measured at amortised cost. These structured bank deposits are classified as financial assets at FVPL under IFRS 9 as at 1 January 2018, resulting in increases in *Financial assets at FVPL, Deferred tax liabilities* and *Retained earnings* amounting to RMB389,558,000, RMB114,000 and RMB344,000 respectively.

The assessment of the Group's business model was made as of initial application, 1 January 2018, and then applied retrospectively to those financial assets that were not derecognised before 1 January 2018. The assessment of whether contractual cash flows on debt instruments are solely comprised of principal and interest was made based on the facts and circumstances as at the initial recognition of the assets.

The accounting for the Group's financial liabilities remains largely the same as it was under IAS 39. Similar to the requirements of IAS 39, IFRS 9 requires contingent consideration liabilities to be treated as financial instruments measured at fair value, with the changes in fair value recognised in the statement of profit or loss.

2. BASIS OF PREPARATION AND CHANGES TO THE GROUP'S ACCOUNTING POLICIES *(continued)*

New standards, interpretations and amendments adopted by the Group *(continued)*

IFRS 9 Financial Instruments *(continued)*

(b) Impairment

The adoption of IFRS 9 has fundamentally changed the Group's accounting for impairment losses for financial assets by replacing IAS 39's incurred loss approach with a forward-looking expected credit loss (ECL) approach.

IFRS 9 requires the Group to record an allowance for ECLs for all loans and other debt financial assets not held at FVPL.

ECLs are based on the difference between the contractual cash flows due in accordance with the contract and all the cash flows that the Group expects to receive. The shortfall is then discounted at an approximation to the asset's original effective interest rate.

For trade and bills receivables, the Group has applied the standard's simplified approach and has calculated ECLs based on lifetime expected credit losses. The Group has established a provision matrix that is based on the Group's historical credit loss experience, adjusted for forward-looking factors specific to the debtors and the economic environment.

The Group considers a financial asset in default when contractual payment are one year past due. However, in certain cases, the Group may also consider a financial asset to be in default when internal or external information indicates that the Group is unlikely to receive the outstanding contractual amounts in full before taking into account any credit enhancements held by the Group.

The adoption of the ECL requirements of IFRS 9 resulted in increases in impairment allowances of the Group's debt financial assets. The increase in allowance resulted in adjustment to *Retained profits*.

The statement of financial position as at 1 January 2018 was restated, resulting in decreases in *Trade and bills receivables and Retained profits* amounting to RMB1,978,000 and RMB1,484,000 respectively and an increase in *Deferred tax assets* amounting to RMB494,000.

2. BASIS OF PREPARATION AND CHANGES TO THE GROUP'S ACCOUNTING POLICIES *(continued)*

New standards, interpretations and amendments adopted by the Group *(continued)*

IFRIC Interpretation 22 Foreign Currency Transactions and Advance Considerations

The Interpretation clarifies that, in determining the spot exchange rate to use on initial recognition of the related asset, expense or income (or part of it) on the derecognition of a non-monetary asset or non-monetary liability relating to advance consideration, the date of the transaction is the date on which an entity initially recognises the non-monetary asset or non-monetary liability arising from the advance consideration. If there are multiple payments or receipts in advance, then the entity must determine a date of the transactions for each payment or receipt of advance consideration. This Interpretation does not have any impact on the Group's interim condensed consolidated financial statements.

Amendments to IAS 40 Transfers of Investment Property

The amendments clarify when an entity should transfer property, including property under construction or development into, or out of investment property. The amendments state that a change in use occurs when the property meets, or ceases to meet, the definition of investment property and there is evidence of the change in use. A mere change in management's intentions for the use of a property does not provide evidence of a change in use. These amendments do not have any impact on the Group's interim condensed consolidated financial statements.

Amendments to IFRS 2 Classification and Measurement of Share-based Payment Transactions

The IASB issued amendments to IFRS 2 *Share-based Payment* that address three main areas: the effects of vesting conditions on the measurement of a cash-settled share-based payment transaction; the classification of a share-based payment transaction with net settlement features for withholding tax obligations; and accounting where a modification to the terms and conditions of a share-based payment transaction changes its classification from cash settled to equity settled. On adoption, entities are required to apply the amendments without restating prior periods, but retrospective application is permitted if elected for all three amendments and other criteria are met. The Group's accounting policy for cash-settled share based payments is consistent with the approach clarified in the amendments. In addition, the Group has no share-based payment transaction with net settlement features for withholding tax obligations and had not made any modifications to the terms and conditions of its share-based payment transaction. Therefore, these amendments do not have any impact on the Group's interim condensed consolidated financial statements.

2. BASIS OF PREPARATION AND CHANGES TO THE GROUP'S ACCOUNTING POLICIES *(continued)*

New standards, interpretations and amendments adopted by the Group *(continued)*

Amendments to IFRS 4 Applying IFRS 9 Financial Instruments with IFRS 4 Insurance Contracts

The amendments address concerns arising from implementing the new financial instruments standard, IFRS 9, before implementing IFRS 17 *Insurance Contracts*, which replaces IFRS 4. The amendments introduce two options for entities issuing insurance contracts: a temporary exemption from applying IFRS 9 and an overlay approach. These amendments are not relevant to the Group.

Amendments to IAS 28 Investments in Associates and Joint Ventures – Clarification that measuring investees at fair value through profit or loss is an investment-by-investment choice

The amendments clarify that an entity that is a venture capital organisation, or other qualifying entity, may elect, at initial recognition on an investment-by-investment basis, to measure its investments in associates and joint ventures at fair value through profit or loss. If an entity, that is not itself an investment entity, has an interest in an associate or joint venture that is an investment entity, the entity may, when applying the equity method, elect to retain the fair value measurement applied by that investment entity associate or joint venture to the investment entity associate's or joint venture's interests in subsidiaries. This election is made separately for each investment entity associate or joint venture, at the later of the date on which: (a) the investment entity associate or joint venture is initially recognised; (b) the associate or joint venture becomes an investment entity; and (c) the investment entity associate or joint venture first becomes a parent. These amendments do not have any impact on the Group's interim condensed consolidated financial statements.

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 of the Company (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, OTHER INCOME AND GAINS

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

	Six months ended 30 June	
	2018	2017
	RMB'000	RMB'000
	(Unaudited)	(Unaudited)
Revenue from contracts with customers		
Type of goods:		
Sale of apparel and accessories	**445,716**	442,376
Timing of revenue recognition:		
Goods transferred at a point in time	**445,716**	442,376
Other income		
Government subsidies*	**30,152**	6,589
Arrangement fees#	**41**	75
Rental income, net	**1,536**	693
Sale of software	**924**	–
External order processing income	**857**	939
Sale of consumables, net	**18**	14
	33,528	8,310
Other gains		
Fair value gain, net:		
Financial assets at FVPL – structured bank deposits	**1,244**	–
Others	**507**	47
	1,751	47
	35,279	8,357

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

* 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	
	2018	2017
	RMB'000	RMB'000
	(Unaudited)	(Unaudited)
Interest income on bank deposits	**1,535**	707
Interest income on structured bank deposits	**11,247**	16,681
Others	**414**	–
	13,196	17,388

6. PROFIT BEFORE TAX

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

	Notes	Six months ended 30 June 2018 RMB'000 (Unaudited)	2017 RMB'000 (Unaudited)
Cost of inventories sold		**113,086**	99,804
Depreciation:			
Property, plant and equipment	10	**6,877**	7,978
Investment properties		**880**	143
		7,757	8,121
Employee benefit expenses (including directors' remuneration):			
Wages and salaries		**63,003**	51,040
Pension scheme contributions		**7,362**	6,598
		70,365	57,638
Amortisation of prepaid land lease payments*	12	**524**	1,059
Amortisation of other intangible assets*	10	**786**	786
Impairment of other intangible assets^	10	**2,206**	1,272
Impairment of trade receivables^		**–**	720
Reversal of impairment of trade receivables		**(1,025)**	–
Impairment of other receivables^		**2,500**	–
Fair value loss/(gain), net:			
Derivative instruments – transactions not qualifying as hedges		**–**	8,070
Financial assets at FVPL – structured bank deposits		**(1,244)**	–
Write-down of inventories to net realisable value#		**74,523**	69,542
Reversal of impairment of inventories#		**(82,718)**	(46,390)
Foreign exchange differences, net		**7,620**	2,425

6. PROFIT BEFORE TAX *(continued)*

* 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 impairment of other intangible assets, trade receivables and other receivables, and the reversal of impairment of trade receivables are included in "Other expenses" in the interim condensed consolidated statement of profit or loss and other comprehensive income.

The write-down of inventories to net realisable value and the reversal of impairment of inventories are 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 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 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 2017.

7. INCOME TAX EXPENSE *(continued)*

	Six months ended 30 June	
	2018	2017
	RMB'000	RMB'000
	(Unaudited)	(Unaudited)
Current – PRC		
Charge for the period	**22,530**	30,456
Deferred	**9,546**	(4,351)
Total tax charge for the period	**32,076**	26,105

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 2017 and for the Relevant Period respectively.

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

The calculation of basic earnings per share is based on the profit for the Relevant Period attributable to equity holders of the parent of RMB57,176,000 (six months ended 30 June 2017: RMB49,305,000) and the weighted average number of ordinary shares of 3,425,688,000 (six months ended 30 June 2017: 3,434,850,344) 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 outstanding had an anti-dilutive effect on the basic earnings per share amounts presented.

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

The calculation of basic earnings per share is based on:

	Six months ended 30 June	
	2018	2017
	RMB'000	RMB'000
	(Unaudited)	(Unaudited)
Earnings		
Profit attributable to equity holders of the parent, used in the basic earnings per share calculation	**57,176**	49,305

	Number of shares	
	Six months ended 30 June	
	2018	2017
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	**(19,762,000)**	(10,599,656)
Adjusted weighted average number of ordinary shares in issue used in the basic earnings per share calculation	**3,425,688,000**	3,434,850,344

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 2018	**241,718**	**81,300**
Additions	**47,634**	**–**
Transferred to Investment Properties	**(3,094)**	**–**
Disposals	**(301)**	**–**
Depreciation and amortisation provided during the period	**(6,877)**	**(786)**
Impairment	**–**	**(2,206)**
Exchange realignment	**254**	**614**
Closing net book amount at 30 June 2018	**279,334**	**78,922**
Audited		
Opening net book amount at 1 January 2017	275,123	99,093
Additions	3,448	–
Transferred to Investment Properties	(18,654)	–
Disposals	(639)	–
Depreciation and amortisation provided during the year	(14,885)	(1,572)
Impairment	–	(10,776)
Exchange realignment	(2,675)	(5,445)
Closing net book amount at 31 December 2017	241,718	81,300

As at 30 June 2018, three certificates of ownership in respect of properties in Haikou with net carrying amount of RMB16,876,000 (31 December 2017: RMB17,339,000), and one certificate of ownership in respect of a warehouse in Chengdu with net carrying amount of approximately RMB4,983,000 (31 December 2017: RMB5,072,000) 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 2018 and 31 December 2017 based on a forecast of operating performance, cash flows and the key assumptions as detailed in note 11 below. Based on the result of the impairment test, the recoverable amount of the trademark of "London Fog" was RMB24,481,000 as at 30 June 2018. Accordingly, management had determined that there was an impairment of the trademark of "London Fog" and recognized an impairment charge of RMB2,206,000 (2017: RMB1,272,000 of the trademark of "Artful Dodger"), which was recorded within other expenses in the interim condensed consolidated statement of profit or loss and other comprehensive income.

11. 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 2017: 19.0%) and cash flows beyond the five-year period are extrapolated using a growth rate of 3% (31 December 2017: 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 2017: 19.0%) for London Fog, 24.0% (31 December 2017: 24.0%) for Zoo York and 27.0% (31 December 2017: 27.0%) for Artful Dodger and cash flows beyond the five-year period were extrapolated using a growth rate of 3% (31 December 2017: 3%) which does not exceed the projected long term average growth rate for the relevant industry in the Mainland China.

11. IMPAIRMENT OF GOODWILL AND INTANGIBLE ASSETS WITH INDEFINITE LIVES *(continued)*

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.

12. PREPAID LAND LEASE PAYMENTS

	30 June 2018 RMB'000 (Unaudited)	31 December 2017 RMB'000 (Audited)
Opening net book amount	**42,465**	85,685
Transfer to property under development during the period/year	**–**	(34,606)
Transfer to investment properties during the period/year	**–**	(7,690)
Amortisation charged during the period/year	**(524)**	(924)
Closing net book amount	**41,941**	42,465
Current portion included in prepayments, deposits and other receivables	**(1,048)**	(1,048)
Non-current portion	**40,893**	41,417

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

13. EQUITY INSTRUMENTS AT FAIR VALUE THROUGH OTHER COMPREHENSIVE INCOME

	31 December 2017 RMB'000 (Audited)	Impact of transition to IFRS 9 RMB'000	1 January 2018 RMB'000	30 June 2018 RMB'000 (Unaudited)
Available-for-sale instruments				
Listed equity investment	45,079	(45,079)	–	–
Unlisted equity investment	15,882	(15,882)	–	–
	60,961	(60,961)	–	–
Equity instruments at fair value through other comprehensive income				
Listed equity investment	–	45,079	45,079	27,817
Unlisted equity investment	–	15,008	15,008	15,138
	–	60,087	60,087	42,955

The above listed investment consists of investment in an equity security which have no fixed maturity date or coupon rate.

During the Relevant Period, the net loss in respect of the Group's listed equity security recognized in other comprehensive loss amounted to RMB12,946,000 (six months ended 30 June 2017: RMB4,023,000).

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 2018, unlisted equity investments represented with a total carrying amount of RMB15,138,000 was measured at fair value through other comprehensive income. The Group does not intend to dispose of them in the near future.

14. INVENTORIES

	30 June 2018 RMB'000 (Unaudited)	31 December 2017 RMB'000 (Audited)
Raw materials	**13,076**	13,358
Work in progress	**6,974**	8,526
Finished goods	**123,001**	148,944
	143,051	170,828

15. PROPERTIES UNDER DEVELOPMENT

	30 June 2018 RMB'000 (Unaudited)	31 December 2017 RMB'000 (Audited)
Properties under development expected to be recovered:		
Within one year	**94,314**	69,153

The Group's properties under development are located in the PRC and situated on leasehold land with long term leases.

16. TRADE AND BILLS RECEIVABLES

	30 June 2018 RMB'000 (Unaudited)	31 December 2017 RMB'000 (Audited)
Trade receivables	**95,821**	118,564
Impairment of trade receivables	**(2,911)**	(1,958)
	92,910	116,606
Bills receivable	**–**	550
	92,910	117,156

16. TRADE AND BILLS RECEIVABLES *(continued)*

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.

17. PREPAYMENTS, DEPOSITS AND OTHER RECEIVABLES

	30 June 2018 RMB'000 (Unaudited)	31 December 2017 RMB'000 (Audited)
Prepayments	**95,903**	87,723
Deposits and other receivables	**37,778**	67,212
	133,681	154,935

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 2018 RMB'000 (Unaudited)	31 December 2017 RMB'000 (Audited)
Structured bank deposits, in licensed banks in Mainland China:		
With fixed rate, at amortised cost	**294,933**	105,635
With floating rate, at amortised cost	**–**	389,100
	294,933	494,735

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

19. PLEDGED BANK DEPOSITS AND CASH AND CASH EQUIVALENTS

	30 June 2018 RMB'000 (Unaudited)	31 December 2017 RMB'000 (Audited)
Cash and bank balances	**153,120**	127,389
Time deposits	**71,700**	72,306
Cash and cash equivalents as stated in the interim condensed consolidated statement of financial position	**224,820**	199,695

At the end of the Relevant Period, the cash and bank balances and time deposits of the Group denominated in RMB amounted to RMB67,144,000 (31 December 2017: RMB138,974,000). 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. TRADE PAYABLES

An aged analysis of the trade payables as at 30 June 2018 and 31 December 2017, based on the invoice date is as follows:

	30 June 2018 RMB'000 (Unaudited)	31 December 2017 RMB'000 (Audited)
Trade payables		
Within 30 days	**18,288**	20,305
31 to 90 days	**3,591**	2,350
91 to 180 days	**594**	1,043
181 to 360 days	**1,304**	1,347
	23,777	25,045

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

21. OTHER PAYABLES AND ACCRUALS

	30 June 2018 RMB'000 (Unaudited)	31 December 2017 RMB'000 (Audited)
Advances from customers	**43,191**	53,061
Accruals	**28,458**	15,767
Other payables	**27,558**	37,808
Other taxes payable	**484**	23,850
	99,691	130,486

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

22. SHARE CAPITAL

Shares

	30 June 2018 HK$'000 (Unaudited)	31 December 2017 HK$'000 (Audited)
Issued and fully paid: 3,445,450,000 (31 December 2017: 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 23 to the financial statements.

23. 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 2017.

Pre-IPO Share Option Scheme

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

	Six months ended 30 June 2018		Six months ended 30 June 2017	
	Weighted average exercise price HK$ per share	Number of options	Weighted average exercise price HK$ per share	Number of options
At beginning of period	**1.64**	**42,006,000**	1.64	84,012,000
Lapsed during the period	**1.64**	**(5,082,000)**	1.64	–
At end of period	**1.64**	**36,924,000**	1.64	84,012,000

23. 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 2017:Nil)

As at 9 December 2017, 42,006,000 share options became lapsed as no share option was exercised within the three-year exercise period for the third one-forth of the share options vested and exercisable on 9 December 2014. As at 22 June 2018, 5,082,000 share options became lapsed as Executive director Peter Lo resigned.

No share option was exercised during the Relevant Period. As at 30 June 2018, the Company had 36,924,000 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 36,924,000 additional ordinary shares of the Company and additional share capital of HK$3,692,400 (equivalent to RMB3,113,000) and share premium of HK$56,862,960 (equivalent to RMB47,941,000) (before issue expenses).

At the date of approval of these interim condensed consolidated financial statements, the Company had 36,924,000 share options outstanding under the Pre-IPO Share Option Scheme, which represented approximately 1.1% of the Company's shares in issue as at that date.

Share Option Scheme

As at 30 June 2018 and the date of approval of these interim condensed consolidated financial statements, no share option was granted and outstanding under the Share Option Scheme.

24. 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.

24. 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 did not purchase any shares of the Company during the Relevant Period (six months ended 30 June 2017: 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)).

The Board did not yet grant any shares to any employees from 4 November 2014 to 30 June 2018.

25. 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 five years.

At 30 June 2018, the Group had total future minimum lease receivables under non-cancellable operating leases with its tenants falling due as follows:

	30 June 2018 RMB'000 (Unaudited)	31 December 2017 RMB'000 (Audited)
Within one year	**4,306**	2,984
In the second to fifth years, inclusive	**10,459**	9,075
	14,765	12,059

25. 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 six years.

At 30 June 2018, the Group had total future minimum lease payments under non-cancellable operating leases falling due as follows:

	30 June 2018 RMB'000 (Unaudited)	31 December 2017 RMB'000 (Audited)
Within one year	**5,390**	3,416
In the second to fifth year, inclusive	**4,621**	1,313
After five years	**814**	–
	10,825	4,729

26. COMMITMENTS

In addition to the operating lease commitments detailed in note 25(b) above, the Group had the following capital commitments at the end of the Relevant Period:

	30 June 2018 RMB'000 (Unaudited)	31 December 2017 RMB'000 (Audited)
Contracted, but not provided for:		
Lands and buildings	**69,688**	69,928
	69,688	69,928

27. RELATED PARTY TRANSACTIONS

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

	Six months ended 30 June	
	2018	2017
	RMB'000	RMB'000
	(Unaudited)	(Unaudited)
Fees	**1,370**	1,460
Salaries, allowances and benefits in kind	**2,402**	2,230
Pension scheme contributions	**130**	81
Total compensation paid to key management personnel	**3,902**	3,771

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.

28. 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.

29. 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 20 August 2018.

MANAGEMENT DISCUSSION AND ANALYSIS

MARKET OVERVIEW

The Chinese economy recorded a steady growth in Gross Domestic Product ("**GDP**") and achieved a growth rate of 6.8% in Relevant Period. However the growth rate of total retail sales of consumer products has decreased by 1.0 percentage point from 10.4% in the six months ended 30 June 2017 to 9.4% for the Relevant Period. The Growth rate of retail sales achieved by the top 100 key and large-scale retailers also decreased by 1.4 percentage points from 3.1% in the six months ended 30 June 2017 to 1.7% for the Relevant Period.

Confronted with the ever-changing market place, the Group is searching for ways to better adapt to the competitive landscape. The Group reported an increase in revenue by 0.7% from RMB442.4 million in the six months ended 30 June 2017 to RMB445.7 million in the Relevant Period and an increase in profit attributable to equity holders of the parent by 16.0% from RMB49.3 million in the six months ended 30 June 2017 to RMB57.2 million in the Relevant Period.

FINANCIAL REVIEW

Revenue

We derive our revenue primarily from retail sales of our products to our end-consumers through self-operated retail points in department stores and shopping malls in major cities in the PRC, sales of products to third-party retailers who directly manage concession counters and retail stores in other cities in the PRC where we do not operate retail points and sales of products through online channels. Our revenue is stated at the net invoiced value of goods sold after trade discounts.

The total revenue of the Group was RMB445.7 million in the Relevant Period, representing an increase by RMB3.3 million, or approximately 0.7% as compared to RMB442.4 million in the six months ended 30 June 2017. The increase in revenue was mainly attributable to the increase in revenue from retail sales through self-operated retails points and revenue from online channels.

By sales channels

Revenue from sales of products through self-operated retail points increased by RMB9.2 million, or 2.7%, from RMB335.4 million in the six months ended 30 June 2017 to RMB344.6 million in the Relevant Period and accounted for approximately 77.3% (six months ended 30 June 2017: 75.8%) of the total revenue. The increase in revenue was primarily due to the increase in revenue from outlet stores by RMB1.8 million, or 1.6%, from RMB109.8 million in the six months ended 30 June 2017 to RMB111.6 million in the Relevant Period. However, the Group reported a decrease in same store sales by 3.0% in the Relevant Period.

FINANCIAL REVIEW *(continued)*

Revenue *(continued)*

By sales channels *(continued)*

Revenue from sales of products to third-party retailers decreased by RMB11.5 million, or 14.5%, from RMB79.4 million in the six months ended 30 June 2017 to RMB67.9 million in the Relevant Period and accounted for approximately 15.2% (six months ended 30 June 2017: 18.0%) of the total revenue. The decrease in revenue was primarily attributable to the decrease in number of retail points operated by third-party retailers.

Revenue from sales of products through online channels increased by RMB5.6 million, or 20.3%, from RMB27.6 million in the six months ended 30 June 2017 to RMB33.2 million in the Relevant Period and accounted for approximately 7.5% (six months ended 30 June 2017: 6.2%) of the total revenue. The increase in revenue was primarily attributable to (i) an increase in sales from online discount platform such as VIP.com by RMB2.7 million, or approximately 30.7%, from RMB8.8 million in the six months ended 30 June 2017 to RMB11.5 million in the Relevant Period; (ii) an increase in sales of products to online third-party retailers by RMB1.4 million, or approximately 11.5%, from RMB12.2 million in the six months ended 30 June 2017 to RMB13.6 million in the Relevant Period; and (iii) an increase in sales of product through our e-shops on Tmall.com and JD.com by RMB1.5 million, or approximately 22.7%, from RMB6.6 million in the six months ended 30 June 2017 to RMB8.1 million in the Relevant Period.

The table below sets forth the breakdown of our revenue contributed by sales made through our self-operated retail points, sales to third-party retailers and sales through online channels:

	Six months ended 30 June			
	2018		2017	
	Revenue RMB million	**% of total revenue**	Revenue RMB million	% of total revenue
Retail sales from self-operated retailers	**344.6**	**77.3%**	335.4	75.8%
Sales to third-party retailers	**67.9**	**15.2%**	79.4	18.0%
Sales from e-commerce business	**33.2**	**7.5%**	27.6	6.2%
Total	**445.7**	**100.0%**	442.4	100.0%

FINANCIAL REVIEW *(continued)*

Revenue *(continued)*

By Brand

Revenue contributed from self-owned brands increased by RMB1.0 million, or approximately 2.1%, from RMB46.8 million in the six months ended 30 June 2017 to RMB47.8 million in the Relevant Period. Percentage of revenue from self-owned brands over total revenue slightly increased from 10.6% in the six months ended 30 June 2017 to 10.7% in the Relevant Period.

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

	Six months ended 30 June			
	2018		2017	
	Revenue RMB million	% of total revenue	Revenue RMB million	% of total revenue
Licensed brands	397.9	89.3%	395.6	89.4%
Self-owned brands	47.8	10.7%	46.8	10.6%
Total	445.7	100%	442.4	100.0%

Cost of sales

Our cost of sales decreased by RMB17.2 million, or approximately 13.3%, from RMB129.8 million in the six months ended 30 June 2017 to RMB112.6 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 RMB31.3 million as a result of our initiatives to reduce the level of aged inventories; and partially offset by an increase in cost of inventories sold by RMB13.3 million from RMB99.8 million in the six months ended 30 June 2017 to RMB113.1 million in the Relevant Period due to the increase in revenue during the period.

FINANCIAL REVIEW *(continued)*

Gross profit and gross profit margin

Our gross profit increased by RMB20.5 million, or approximately 6.6%, from RMB312.6 million in the six months ended 30 June 2017 to RMB333.1 million in the Relevant Period as a result of the increase in revenue and decrease in cost of sales. Our overall gross profit margin also increased by 4.0 percentage points from 70.7% in the six months ended 30 June 2017 to 74.7% in the Relevant Period, which was primarily due to the decrease in inventory provisions. Save for the inventory provisions, our overall gross profit margin would have been 72.9% in the Relevant Period, as compared with the gross profit margin at 75.9% in the six months ended 30 June 2017. The decrease in gross profit margin excluding inventory provisions was mainly attributable to the increase in sales through outlet stores, bargain sales and online channels which have lower gross profit margins.

Other income and gains

Our other income and gains increased by RMB26.9 million, or approximately 3.2 times, from RMB8.4 million in the six months ended 30 June 2017 to RMB35.3 million in the Relevant Period, which was primarily due to an increase in government subsidies by RMB23.6 million from RMB6.6 million in the six months ended 30 June 2017 to RMB30.2 million in the Relevant Period.

Selling and distribution expenses

Our selling and distribution expenses increased by RMB35.7 million, or approximately 16.4%, from RMB217.9 million in the six months ended 30 June 2017 to RMB253.6 million in the Relevant Period.

Rents and concession fees for occupying concession counters within department stores and department store charges increased by RMB0.8 million, or approximately 0.7%, from RMB117.0 million in the six months ended 30 June 2017 to RMB117.8 million in the Relevant Period, which was largely due to the increase in revenue from self-operated retail points.

The labour costs related to sales and marketing staff increased from RMB45.4 million in the six months ended 30 June 2017 to RMB53.2 million in the Relevant Period. Such increase was primarily attributable to the increase in basic salary of the sales and marketing staff.

We incurred advertising and promotion expenses of RMB15.7 million (six months ended 30 June 2017: RMB8.6 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 customers through WeChat, Weibo and mainstream websites such as Sina.com, Sohu.com etc.

FINANCIAL REVIEW *(continued)*

Selling and distribution expenses *(continued)*

Decoration fees for self-operated retail points increased from RMB7.3 million in the six months ended 30 June 2017 to RMB9.8 million in the Relevant Period which was primarily attributable to the upgrading of store image for our Jeep and Santa Barbara Polo & Racquet Club ("**SBPRC**") stores as well as the opening of multi-brand lifestyle stores which required higher store renovation expenses.

The other selling and distribution expenses, including royalty fees, freight and vehicle expenses, sample expenses, travelling expenses, office expenses and other operating expenses remained consistent during the both periods indicated.

Administrative expenses

We incurred administrative expenses of RMB27.4 million in the Relevant Period which was largely consistent with the administrative expenses of RMB27.0 million incurred in the six months ended 30 June 2017.

Other expenses

Other expenses mainly included (i) an impairment on trademark – London Fog of RMB2.2 million (six months ended 30 June 2017: an impairment on trademark – Artful Dodger of RMB1.3 million); (ii) an exchange loss of RMB7.6 million (six months ended 30 June 2017: RMB2.4 million); (iii) an impairment of other receivables of RMB2.5 million (six months ended 30 June 2017: nil); and partially offset by a reversal of impairment of trade receivables of RMB1.0 million (six months ended 30 June 2017: an impairment loss of RMB0.7 million).

Finance income

Our finance income decreased to RMB13.2 million in the Relevant Period as compared to that of RMB17.4 million in the six months ended 30 June 2017, representing a decrease by 24.1%, primarily due to the decrease in the balance of pledged bank deposits during the Relevant Period.

Share of profits and losses of joint ventures

Share of profits and losses of joint ventures represented share of profits of a joint venture – MCS of RMB1.9 million (six months ended 30 June 2017: share of losses of RMB0.7 million) which was partially offset by share of losses of joint ventures – Henry Cotton's and Marina Yachting of RMB0.2 million and RMB0.2 million, respectively (six months ended 30 June 2017: share of losses of Henry Cotton's and Marina Yachting was RMB1.1 million and RMB0.2 million, respectively).

Profit before tax

As a result of the foregoing factors, our profit before tax increased by RMB15.8 million, or approximately 21.2%, from RMB74.5 million in the six months ended 30 June 2017 to RMB90.3 million in the Relevant Period.

FINANCIAL REVIEW *(continued)*

Income tax expense

Income tax expense increased by RMB6.0 million, or approximately 23.0%, from RMB26.1 million in the six months ended 30 June 2017 to RMB32.1 million in the Relevant Period, which was primarily due to a mix effect of (i) an increase in deferred tax expense by RMB13.9 million arising from the decrease in deferred tax assets in respect of inventory provisions; and partially offset by (ii) a decrease in current income tax by RMB8.0 million. The decrease in current income tax mainly resulted from the receipt of income tax refund of RMB6.4 million by a subsidiary of the Group in PRC in the Relevant Period.

Profit for the period

Profit for the period increased by RMB9.8 million, or approximately 20.2%, from RMB48.4 million in the six months ended 30 June 2017 to RMB58.2 million in the Relevant Period. The net profit margin was 13.1% in the Relevant Period as compared with the net profit margin of 10.9% in the six months ended 30 June 2017. The increase in net profit margin was largely due to the increase in gross profit margin by 4.0 percentage points.

Profit attributable to equity holders of the parent

As a result of the foregoing, profit attributable to equity holders of the parent increased by RMB7.9 million, or approximately 16.0%, from RMB49.3 million in the six months ended 30 June 2017 to RMB57.2 million in the Relevant Period.

Working Capital Management

	30 June 2018	31 December 2017
Inventory turnover days	251	269
Trade receivables turnover days	42	44
Trade payables turnover days	39	36

The decrease in inventory turnover by 18 days was mainly due to the decrease in inventory turnover days for inventories aged over one year by 46 days resulting from our stock clearance strategy to sell past season inventories through outlet stores as well as online channels. In addition, the inventory balance also decreased by RMB27.7 million, or approximately 16.2%, from RMB170.8 million as at 31 December 2017 to RMB143.1 million as at 30 June 2018.

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

FINANCIAL REVIEW *(continued)*

Liquidity, financial position and cash flows

As at 30 June 2018, we had net current assets of approximately RMB924.0 million, as compared to RMB902.6 million as at 31 December 2017. The current ratio of our Group was 4.5 times as at 30 June 2018, as compared to that of 3.9 times as at 31 December 2017.

There was no undrawn banking facility as at 30 June 2018.

As at 30 June 2018, we had an aggregate cash and cash equivalents, financial assets at fair value through profit or loss, and structured bank deposits of approximately RMB721.5 million. The table below sets forth selected cash flow data from our interim condense consolidated statement of cash flows:

	Six months ended 30 June	
	2018	2017
	RMB million	RMB million
Net cash flows from operating activities	**28.4**	63.7
Net cash flows used in investing activities	**(6.0)**	(76.4)
Net cash flows used in financing activities	**–**	(0.3)
Net increase/(decrease) in cash and cash equivalents	**22.4**	(13.0)
Effect of foreign exchange rate changes, net	**3.3**	2.8
Cash and cash equivalents at the beginning of the period	**127.4**	157.8
Cash and cash equivalents at the end of the period	**153.1**	147.6

Operating activities

Net cash flows from operating activities decreased by RMB35.3 million, or approximately 55.4%, from RMB63.7 million in the six months ended 30 June 2017 to RMB28.4 million in the Relevant Period which was primarily attributable to (i) a decrease in the operating cash inflows before changes in working capital by RMB27.4 million from RMB106.7 million in the six months ended 30 June 2017 to RMB79.3 million in the Relevant Period; and (ii) an increase in cash outflows from changes in working capital from RMB43.0 million in the six months ended 30 June 2017 to RMB50.9 million in the Relevant Period.

FINANCIAL REVIEW *(continued)*

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

Investing activities

Net cash flows used in investing activities of RMB6.0 million mainly represented an increase in investment in purchases of properties of RMB47.6 million which was partially offset by the recovery of a loan to a third party of RMB30.0 million and interest received from bank deposits and structured bank deposits of RMB9.8 million.

Financing activities

There was no material cash flows generated from or used in financing activities during the Relevant Period.

Pledge of group assets

As at 30 June 2018, no asset of our Group was pledged as a security for bank borrowings or any other financing facilities.

Capital commitments and contingent liabilities

As at 30 June 2018, the Group had capital commitments of approximately RMB69.7 million (31 December 2017: RMB69.9 million) and there were no significant contingent liabilities (31 December 2017: Nil).

Foreign exchange management

We conduct business primarily in Hong Kong and the 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.

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

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 2018. 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 2018 (HK$ million)	Unutilised amount as at 30 June 2018 (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

OPERATION REVIEW

Retail and distribution network

As at 30 June 2018, our sales network comprised a total of 564 self-operated retail points, consisting of concession counters, consignment stores and standalone stores, and 340 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 2018 and 31 December 2017:

	As at 30 June 2018			As at 31 December 2017		
Brand	Self-operated retail points	Retail points operated by third-party retailers	Total retail points	Self-operated retail points (reclassified)	Retail points operated by third-party retailers (reclassified)	Total retail points (reclassified)
Jeep	239	326	565	217	332	549
SBPRC	165	13	178	153	15	168
London Fog	47	–	47	48	–	48
MCS	35	–	35	36	–	36
Zoo York	27	1	28	23	1	24
Barbour	16	–	16	14	–	14
LINCS	13	–	13	14	–	14
Marina Yachting	11	–	11	10	–	10
Others	11	–	11	54	–	54
Total	564	340	904	569	348	917

Self-operated retail points

As at 30 June 2018, we had a network of 545 self-operated concession counters (31 December 2017: 550 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 163 were outlet stores as at 30 June 2018 (31 December 2017: 159 outlet stores).

As at 30 June 2018, we had a network of 19 standalone stores (31 December 2017: 19 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.

OPERATION REVIEW *(continued)*

Retail and distribution network *(continued)*

Self-operated retail points *(continued)*

Faced with the challenging market conditions and evolving consumer behavior, the following adjustments were made to our strategy for self-operated retail points:

- a net increase by 4 retail points in outlet stores in response to changes in consumer behavior and rapid sales growth in outlet store channel; and

- a net increase by 14 multi-brand lifestyle stores (31 December 2017: 9 stores) during the Relevant Period. The multi-brand lifestyle stores combine sophisticated store decorations and enriched product offerings that better demonstrate the culture and lifestyle of our brands.

Retail points operated by third-party retailers

Under the 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 2018, we had a total of 340 retail points that were operated by third-party retailers, representing a decrease by 2.3% as compared to that of 348 as at 31 December 2017.

Online Channels

We primarily sell past season products through online channels which consisted of (i) online discount platforms such as VIP.com; (ii) online third-party retailers; and (iii) our self-operated e-shops on mainstream online platforms such as Tmall.com and JD.com.

During the Relevant Period, we continued to participate in the just-in-time delivery program (the "**JIT Program**") of VIP.com, which allows us to receive orders placed by customers on VIP.com and make direct distribution of the products to customers from our warehouse. The JIT Program has significantly improved the efficiency of our order-fulfillment process and enhanced customer's shopping experience. We also actively developed new online third-party retailers for online retailing of our products and increased sales from our self-operated e-shops on online platforms such as Tmall.com and JD.com during the period.

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 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 initiatives in brand portfolio diversification and building brand equity during the period included the following:

Barbour

We, in collaboration with the Dandy King, a renowned buyer shop in China, organized a salon in Hangzhou in March 2018 to introduce the British lifestyle as well as the classic Barbour waxed cotton jackets. Almost 100 local celebrities attended the event.

In May 2018, Barbour also sponsored apparel for the 2018 China GT Championship in Beijing (2018年北京賽車節).

Zoo York

During the Relevant Period, Zoo York sponsored the team uniform for the Taichi Team (太極電子競技戰隊), a renowned electronic sports team player in China who won the third prize in the Samsung Cup (三星玄龍杯) for the game of "Player Unknown's Battle Grounds" (絕地求生).

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

Marina Yachting continued to sponsor apparel for the Children's Choir of Shanghai Poly Grand Theater (上海保利大劇院童聲合唱團) during the Relevant Period.

OPERATION REVIEW *(continued)*

Business Digitalization

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, which in turn both enhances customers' shopping experience and drives our sales. Sales contributed by the self-developed O2O system increased by RMB8.4 million, or approximately 25.7%, from RMB32.7 million in the six months ended 30 June 2017 to RMB41.1 million in the Relevant Period.

As our Customer Relationship Management (CRM) system has been online, we are also working on a customer loyalty program with an aim to further promote customer loyalty, encourage repeat purchases and cross-selling.

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 Barbour in London, LINCS in New York, Greg Norman in Sydney and Zoo York in Hong Kong.

Production and supply chain

Microchips with Radio Frequency Identification (RFID) technology have been implanted on product tags of our products. RFID reading devices have also be equipped in our new logistic center in Shanghai during the Relevant Period to read and identify product information. The use of this new technology will significantly improve our 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 2018, the Group had approximately 2,578 full-time employees. Staff costs, including Directors' remuneration, totalled RMB70.4 million in the Relevant Period (six months ended 30 June 2017: RMB57.6 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 36,924,000 options under the Pre-IPO Share Option Scheme that was granted to 16 participants (including 6 current directors) remain outstanding as at 30 June 2018.

OPERATION REVIEW *(continued)*

Corporate Social Responsibility

Being a responsible corporate citizen is a core fundamental of our culture. during the period, we 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 RMB0.2 million was made by the Group to the above programs in the Relevant Period.

We are 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

Our key objectives for 2018 is "digitalization driven, retail terminal empowerment (數字驅動，賦能終端)" and the management will continue to focus on the following initiatives in the second half of 2018:

- to combine the online and offline business seamlessly through information technology and business digitalization remain our first priority for 2018. We will continue to encourage sales staff and third-party retailers to use our self-developed O2O system;

- to provide training programs to our sales attendants to use the online product picture system and cross-brand product sales function in order to increase the conversion rate at retail points and accelerate the response to ultimate consumers' demands for our products;

- to launch our customer loyalty program in the second half 2018 with an aim to increase interactions with customers and encourage repeat purchases;

- to increase sales of aged inventories through factory outlets, bargain sales as well as online channels; and

- to expand the retail network of multi-brand lifestyle stores.

INTERIM DIVIDENDS

The Board does not recommend to declare any interim dividends for the Relevant Period (six months ended 30 June 2017: 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 2018, 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. ZHANG Yongli	Beneficial owner	9,028,000	5,082,000	14,110,000	0.41%
	Corporate interest (Note 2)	1,012,748,000	–	1,012,748,000	29.39%
Mr. SUN David Lee	Beneficial owner	452,000	2,082,000	2,534,000	0.07%
Ms. HUANG Xiaoyun	Beneficial owner	190,600,000	3,600,000	194,200,000	5.64%
Mr. KWONG Wilson Wai Sun	Beneficial owner	–	250,000	250,000	0.01%
Mr. CUI Yi	Beneficial owner	–	250,000	250,000	0.01%
Mr. YEUNG Chi Wai	Beneficial owner	–	250,000	250,000	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 1,012,748,000 shares (long position) of the Company, was wholly owned by Vinglory Holdings Limited ("Vinglory"). Vinglory was wholly owned by Mr. ZHANG Yongli.

Save as disclosed above, as at 30 June 2018, 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 2018, 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 or were otherwise notified to the Company:

Long Position:

Name	Notes	Nature of Interest	Number of Shares	Percentage of the Company's Issued Share Capital
Mr. ZHANG Yongli	(1)	Corporate interest	1,012,748,000	29.39
	(1)	Beneficial owner	14,110,000	0.41
Vinglory Holdings Limited	(1)	Corporate interest	1,012,748,000	29.39
CEC Outfitters Limited	(1)	Beneficial owner	1,012,748,000	29.39
The Li Family (PTC) Limited	(2)	Trustee	463,316,000	13.45
Ms. LAM Lai Ming	(2)	Other	463,316,000	13.45
Mr. LI Gabriel	(2)	Other	463,316,000	13.45
YM Investment Limited	(3)	Corporate interest	463,316,000	13.45
Orchid Asia IV Investment, Limited	(3)	Corporate interest	454,162,000	13.18
Orchid Asia IV Group, Limited	(3)	Corporate interest	454,162,000	13.18
Orchid Asia IV Group Management, Limited	(3)	Corporate interest	454,162,000	13.18
OAIV Holdings, L.P.	(3)	Corporate interest	454,162,000	13.18
Orchid Asia IV, L.P.	(3)	Beneficial owner	454,162,000	13.18
Mr. KRAVIS Henry Roberts	(4)	Corporate interest	285,366,000	8.28
Mr. ROBERTS George R.	(4)	Corporate interest	285,366,000	8.28
KKR Management LLC	(4)	Corporate interest	285,366,000	8.28
KKR & Co. L.P.	(4)	Corporate interest	285,366,000	8.28
KKR Group Limited	(4)	Corporate interest	285,366,000	8.28
KKR Fund Holdings GP Limited	(4)	Corporate interest	285,366,000	8.28
KKR Group Holdings L.P.	(4)	Corporate interest	285,366,000	8.28
KKR Fund Holdings L.P.	(4)	Corporate interest	285,366,000	8.28
KKR China Growth Limited	(4)	Corporate interest	285,366,000	8.28
KKR SP Limited	(4)	Corporate interest	285,366,000	8.28
KKR Associates China Growth L.P.	(4)	Corporate interest	285,366,000	8.28
KKR China Growth Fund L.P.	(4)	Corporate interest	285,366,000	8.28
KKR China Apparel Limited	(4)	Beneficial owner	285,366,000	8.28
Ms. HUANG Xiaoyun	(5)	Beneficial owner	194,200,000	5.64

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 1,012,748,000 shares (long position) of the Company, was wholly owned by Vinglory. Vinglory was wholly owned by Mr. ZHANG Yongli.

(1.2) Mr. ZHANG Yongli held interests in a total of 14,110,000 shares (long position) of the Company, including 5,082,000 underlying shares interested as a result of holding share options.

(2) YM Investment Limited, holding interests in a total of 463,316,000 shares (long position) of the Company, was owned by The Li 2007 Family Trust with Mr. LI Gabriel and Ms. LAM Lai Ming as founders and The Li Family (PTC) Limited as trustee.

(3) YM Investment Limited held interests in a total of 463,316,000 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 454,162,000 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 9,154,000 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.

(5) Ms. HUANG Xiaoyun held interests in a total of 194,200,000 shares (long position) of the Company, including 3,600,000 underlying shares interested as a result of holding share options.

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

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 6 current Directors, at a consideration of HK$1 paid by each participant.

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 1.1.2018	Granted during the period	Exercised during the period	Cancelled during the period	Lapsed during the period	Outstanding at 30.06.2018	Vesting and exercise period
Executive director	Mr. LO Peter (Resigned on 22 June 2018	25 November 2011	1.64	5,082,000	–	–	–	(5,082,000)	–	
Executive director	Mr. ZHANG Yongli	25 November 2011	1.64	5,082,000	–	–	–	–	5,082,000	Note
Executive director	Mr. SUN David Lee	25 November 2011	1.64	2,082,000	–	–	–	–	2,082,000	Note
Executive director	Ms. HUANG Xiaoyun	25 November 2011	1.64	3,600,000	–	–	–	–	3,600,000	Note
Independent non-executive director	Mr. KWONG Wilson Wai Sun	25 November 2011	1.64	250,000	–	–	–	–	250,000	Note
Independent non-executive director	Mr. CUI Yi	25 November 2011	1.64	250,000	–	–	–	–	250,000	Note
Independent non-executive director	Mr. YEUNG Chi Wai	25 November 2011	1.64	250,000	–	–	–	–	250,000	Note
Employees in aggregate	–	25 November 2011	1.64	24,328,000	–	–	–	–	24,328,000	Note
Other eligible grantees in aggregate	–	25 November 2011	1.64	1,082,000	–	–	–	–	1,082,000	Note

Note: All outstanding options as at 30 June 2018 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 41 to 42 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, with the exception of code provision A.2.1.

According to code provision A.2.1, the roles of chairman and chief executive should be separate and should not be performed by the same individual. The Company deviates from this code provision because both the chairman and chief executive officer ("CEO") positions of the Company are held by Mr. Zhang Yongli. The Board believes that vesting the roles of Chairman and CEO in the same person provides the Group with strong and consistent leadership and allows for efficient business planning and decisions under the current situation.

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 2017 annual report of the Company is set out below:

Name of Director	Details of Change
SUN David Lee	Resigned as an executive director of Asia Coal Limited, a company listed on the Main Board of the Stock Exchange (Stock Code: 835), with effect from 3 May 2018.

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

ZHANG Yongli
Chairman
Hong Kong

20 August 2018