



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

2016
Interim Report

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CORPORATE INFORMATION

Executive directors

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

Non-executive directors

Mr. WANG Wei
Mr. LIN Yang

Independent non-executive directors

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

Company secretary

Ms. LI Rita Yan Wing

Authorised representatives

Mr. LO Peter
Mr. SUN David Lee

Audit committee

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

Remuneration committee

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

Nomination committee

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

Registered office

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

Head office in the PRC

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

Principal place of business in Hong Kong

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

Website

www.cohl.hk

Hong Kong share registrar and transfer office

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

Principal banker

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

Legal advisor

Herbert Smith Freehills LLP

Auditor

Ernst & Young,
Certified Public Accountants

FINANCIAL HIGHLIGHTS

	Six months ended 30 June		
	2016 (Unaudited)	2015 (Unaudited)	% change
Revenue (RMB million)	459.8	526.6	(12.7%)
Gross profit (RMB million)	309.5	384.1	(19.4%)
Operating profit (RMB million)	60.6	118.4	(48.8%)
Profit attributable to owners of the parent (RMB million)	53.3	95.7	(44.3%)
Net cash inflows from operating activities (RMB million)	81.6	27.9	192.5%
Earnings per share — Basic (RMB cents) ¹	1.55	2.78	(44.2%)
Gross profit margin	67.3%	72.9%	(5.6 p.p.t)
Operating profit margin	13.2%	22.5%	(9.3 p.p.t)
Net profit margin	11.4%	18.0%	(6.6 p.p.t)
Effective tax rate	31.7%	30.6%	1.1 p.p.t
	As at 30 June 2016 (Unaudited)	As at 31 December 2015 (Audited)	
Current ratio (times) ²	2.3	2.2	+0.1 times
Trade receivables turnover days (days) ³	39	42	(3) days
Trade payables turnover days (days) ⁴	51	52	(1) day
Inventory turnover days (days) ⁵	440	419	+21 days

China Outfitters Holdings Limited

Key ratios:

1. Basic earnings per share = Profit attributable to owners of the parent/weighted average number of ordinary shares (the weighted average number of shares in the first six months of 2016 was 3,435,512,411 versus 3,440,181,967 in the same period of last year)
2. Current ratio = Current assets/current liabilities
3. Trade receivables turnover days = Average of opening and closing balances on trade receivables/revenue for the period x 180 days
4. Trade payables turnover days = Average of opening and closing balances on trade payables/cost of sales for the period x 180 days
5. Inventory turnover days = Average of opening and closing balances on inventory/cost of sales x 180 days



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

(Incorporated in the Cayman Islands with limited liability)

Introduction

We have reviewed the accompanying interim condensed consolidated statement of financial position of China Outfitters Holdings Limited (the “Company”) and its subsidiaries (the “Group”) as at 30 June 2016 and the related interim condensed consolidated statements of profit or loss, comprehensive income, changes in equity and cash flows for the six-month period then ended, and explanatory notes. The Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited require the preparation of a report on interim financial information to be in compliance with the relevant provisions thereof and International Accounting Standard 34 “Interim Financial Reporting” (“IAS 34”) issued by the International Accounting Standards Board.

The directors are responsible for the preparation and presentation of these interim condensed consolidated financial statements in accordance with IAS 34. Our responsibility is to express a conclusion on these interim condensed consolidated financial statements based on our review. Our report is made solely to you, as a body, in accordance with our agreed terms of engagement, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report.

Scope of review

We conducted our review in accordance with Hong Kong Standard on Review Engagements 2410 “Review of Interim Financial Information Performed by the Independent Auditor of the Entity” issued by the Hong Kong Institute of Certified Public Accountants. A review of interim financial information consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with Hong Kong Standards on Auditing and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

Conclusion

Based on our review, nothing has come to our attention that causes us to believe that the accompanying interim condensed consolidated financial statements are not prepared, in all material respects, in accordance with IAS 34.

Ernst & Young

Certified Public Accountants

22nd Floor

CITIC Tower

1 Tim Mei Avenue, Central

Hong Kong

22 August 2016

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

For the six months ended 30 June 2016

	Notes	Six months ended 30 June	
		2016 RMB'000 (Unaudited)	2015 RMB'000 (Unaudited)
REVENUE	4	459,805	526,576
Cost of sales		(150,280)	(142,440)
Gross profit		309,525	384,136
Other income and gains, net	4	14,760	11,737
Selling and distribution costs		(226,659)	(243,323)
Administrative expenses		(26,148)	(25,184)
Other operating expenses		(10,880)	(9,015)
Operating profit		60,598	118,351
Finance income	5	17,181	24,565
Finance costs		(3,230)	(6,806)
Share profit of joint ventures		2,462	351
PROFIT BEFORE TAX	6	77,011	136,461
Income tax expense	7	(24,437)	(41,808)
PROFIT FOR THE PERIOD		52,574	94,653
OTHER COMPREHENSIVE (LOSS)/ INCOME			
Other comprehensive (loss)/income to be reclassified to profit or loss in subsequent periods:			
Exchange differences on translation of foreign operations		(2,882)	127
TOTAL COMPREHENSIVE INCOME FOR THE PERIOD, NET OF TAX		49,692	94,780

INTERIM CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME *(continued)***For the six months ended 30 June 2016**

		Six months ended 30 June	
	Notes	2016 RMB'000 (Unaudited)	2015 RMB'000 (Unaudited)
Profit attributable to:			
Owners of the parent		53,294	95,710
Non-controlling interests		(720)	(1,057)
		52,574	94,653
Total comprehensive income attributable to:			
Owners of the parent		50,383	95,843
Non-controlling interests		(691)	(1,063)
		49,692	94,780
EARNINGS PER SHARE			
ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE PARENT			
Basic and diluted	9	RMB1.55 cents	RMB2.78 cents

INTERIM CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 30 June 2016

	Notes	30 June 2016 RMB'000 (Unaudited)	31 December 2015 RMB'000 (Audited)
NON-CURRENT ASSETS			
Property, plant and equipment	10	240,988	246,834
Prepaid land lease payments	12	84,952	85,765
Investment properties		4,642	4,653
Other intangible assets	10	106,147	112,449
Goodwill		70,697	70,697
Investment in joint ventures		150,493	141,621
Deferred tax assets		125,944	108,941
Total non-current assets		783,863	770,960
CURRENT ASSETS			
Inventories	13	336,125	398,599
Trade and bills receivables	14	89,004	118,595
Prepayments, deposits and other receivables	15	82,740	75,720
Derivative financial assets		9,261	5,026
Structured bank deposits	16	473,500	380,734
Pledged bank deposits	17	427,723	437,890
Cash and cash equivalents	17	168,556	165,086
Total current assets		1,586,909	1,581,650
CURRENT LIABILITIES			
Interest-bearing bank borrowing	18	367,508	360,245
Trade and bills payables	19	78,504	105,700
Deposits received, other payables and accruals	20	109,744	106,041
Tax payable		132,916	150,238
Total current liabilities		688,672	722,224

INTERIM CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION *(continued)*
As at 30 June 2016

	Notes	30 June 2016 RMB'000 (Unaudited)	31 December 2015 RMB'000 (Audited)
NET CURRENT ASSETS		898,237	859,426
TOTAL ASSETS LESS CURRENT LIABILITIES		1,682,100	1,630,386
NON-CURRENT LIABILITIES			
Deferred tax liabilities		9,799	7,595
Net assets		1,672,301	1,622,791
EQUITY			
Equity attributable to owners of the parent			
Issued capital	21	280,661	280,661
Shares held for share award scheme		(7,591)	(7,409)
Reserves		1,398,097	1,347,714
Non-controlling interests		1,671,167 1,134	1,620,966 1,825
Total equity		1,672,301	1,622,791

INTERIM CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the six months ended 30 June 2016

	Attributable to the owners of the parent												
	Issued capital	Share Award Scheme	Shares held for redemption reserve	Capital reserve	Merger reserve	Acquisition reserve	Share option reserve	Statutory surplus reserve	Exchange fluctuation reserve	Retained profits	Non-controlling interests		Total equity
											Total	interests	
											RMB'000	RMB'000	
(note 21)	(note 23)	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000		
Unaudited													
At 1 January 2016	280,661	(7,409)	543	389,848	(186,036)	53,701	48,042	(10,268)	1,051,884	1,620,966	1,825	1,622,791	
Profit for the period	-	-	-	-	-	-	-	-	53,294	53,294	(720)	52,574	
Other comprehensive income for the period:													
Exchange differences on translation of foreign operations	-	-	-	-	-	-	-	(2,911)	-	(2,911)	29	(2,882)	
Total comprehensive income for the period	-	-	-	-	-	-	-	(2,911)	53,294	50,383	(691)	49,692	
Appropriations to statutory surplus reserve	-	-	-	-	-	-	936	-	(936)	-	-	-	
Share award scheme arrangements	-	(182)	-	-	-	-	-	-	-	(182)	-	(182)	
At 30 June 2016	280,661	(7,591)	543*	389,848*	(186,036)*	53,701*	48,978*	(13,179)*	1,104,242*	1,671,167	1,134	1,672,301	
Unaudited													
At 1 January 2015	280,661	(3,669)	543	389,848	(186,036)	50,523	47,783	4,413	1,049,110	1,633,176	3,876	1,637,052	
Profit for the period	-	-	-	-	-	-	-	-	95,710	95,710	(1,057)	94,653	
Other comprehensive income for the period:													
Exchange differences on translation of foreign operations	-	-	-	-	-	-	-	133	-	133	(6)	127	
Total comprehensive income for the period	-	-	-	-	-	-	-	133	95,710	95,843	(1,063)	94,780	
Appropriations to statutory surplus reserve	-	-	-	-	-	-	259	-	(259)	-	-	-	
Equity-settled share option arrangements	-	-	-	-	-	1,686	-	-	-	1,686	-	1,686	
Share award scheme arrangements	-	(2,376)	-	-	-	-	-	-	-	(2,376)	-	(2,376)	
Final 2014 dividends declared	-	-	-	-	-	-	-	-	(101,804)	(101,804)	-	(101,804)	
At 30 June 2015	280,661	(6,045)	543	389,848	(186,036)	52,209	48,042	4,546	1,042,757	1,626,525	2,813	1,629,338	

* These components of equity comprise the consolidated reserves of RMB1,398,097,000 (31 December 2015: RMB1,347,714,000) in the interim condensed consolidated statement of financial position as at 30 June 2016.

INTERIM CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS*(continued)***For the six months ended 30 June 2016**

		Six months ended 30 June	
		2016	2015
Notes		RMB'000	RMB'000
		(Unaudited)	(Unaudited)
Investing activities			
	Proceeds from disposal of items of property, plant and equipment	11	14
	Purchase of items of property, plant and equipment	(1,095)	(8,580)
	Increase in short term deposits with original maturity of over three months	–	(500)
	Interest received from bank deposits	931	876
	Interest received from structured bank deposits	6,360	20,109
	(Increase)/decrease in structured bank deposits	(92,766)	293,272
	Decrease in loan to a joint venture	–	2,427
	Prepayment for an available-for-sale investment	(3,419)	–
Net cash flows used in investing activities		(89,978)	307,618
Financing activities			
	Purchase of shares for share award scheme	(182)	(2,376)
	Repayment of bank loans	–	(268,294)
	Dividends paid	–	(101,804)
Net cash flows used in financing activities		(182)	(372,474)
	Net decrease in cash and cash equivalents	(8,514)	(36,992)
	Effect of foreign exchange rate changes, net	1,817	(857)
	Cash and cash equivalents at 1 January	172,276	199,388
	Cash and cash equivalents at 30 June	165,579	161,539
Analysis of balances of cash and cash equivalents			
	Cash and bank balances	17	163,556
	Time deposits	5,000	156,505
	Cash and cash equivalents as stated in the interim condensed consolidated statement of financial position	17	168,556
	Add: Time deposits with original maturity of less than three months when acquired, pledged as security for issuing bank acceptance notes and forward currency contracts	2,023	5,034
	Less: Time deposits with original maturity of over three months	(5,000)	(4,500)
	Cash and cash equivalents as stated in the interim condensed consolidated statement of cash flows	165,579	161,539

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

30 June 2016

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, manufacture, marketing and sale of apparel products and accessories in the People’s Republic of China (the “PRC”, or China which excludes, for the purpose of this report, the Hong Kong Special Administrative Region of the PRC or Hong Kong, the Macau Special Administrative Region of the PRC or Macau, and Taiwan), with a focus on menswear. There has been no significant change in the Group’s principal activities during the six months ended 30 June 2016 (the “Relevant Period”).

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

2. BASIS OF PREPARATION AND ACCOUNTING POLICIES

Basis of preparation

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

These interim condensed consolidated financial statements are presented in Renminbi (“RMB”) and all values are rounded to the nearest thousand except when otherwise indicated. These interim condensed consolidated financial statements do not include all information and disclosures required in the annual consolidated financial statements of the Group, and should be read in conjunction with the Group’s annual consolidated financial statements for the year ended 31 December 2015.

Significant accounting policies

The accounting policies adopted in the preparation of the interim condensed consolidated financial statements are consistent with those followed in the preparation of the Group’s annual financial statements for the year ended 31 December 2015, except for the adoption of the new or revised standards, interpretation and amendments as of 1 January 2016, noted below:

Amendments to IAS 11	<i>Joint Arrangements: Accounting for Acquisitions of Interests</i>
Amendments to IAS 16 and IAS 38	<i>Clarification of Acceptable Methods of Depreciation and Amortisation</i>
Amendments to IAS 16 and IAS 41	<i>Agriculture: Bearer Plants</i>
Amendments to IAS 27	<i>Equity Method in Separate Financial Statements</i>
<i>Annual Improvements 2012-2014 Cycle</i>	Amendments to a number of IFRSs
Amendments to IAS 1	<i>Disclosure Initiative</i>
Amendments to IFRS 10, IFRS 12 and IAS 28	<i>Investment Entities: Applying the Consolidation Exception</i>

2. BASIS OF PREPARATION AND ACCOUNTING POLICIES *(continued)*
Significant accounting policies *(continued)*

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

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

3. OPERATING SEGMENT INFORMATION

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

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

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

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

4. REVENUE AND OTHER INCOME AND GAINS, NET

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

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

	Six months ended 30 June	
	2016	2015
	RMB'000	RMB'000
	(Unaudited)	(Unaudited)
Revenue		
Sale of goods	459,805	526,576
Other income		
Government subsidies*	8,373	10,423
Arrangement fees [#]	121	350
Rental income, net	1,210	612
Sale of consumables, net	721	54
	10,425	11,439
Gains, net		
Fair value gains, net:		
Derivative instruments –		
transactions not qualifying as hedges	4,235	–
Others	100	298
	4,335	298
	14,760	11,737

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

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

5. FINANCE INCOME

	Six months ended 30 June	
	2016	2015
	RMB'000	RMB'000
	(Unaudited)	(Unaudited)
Interest income on bank deposits	931	876
Interest income from structured bank deposits	16,250	23,689
	17,181	24,565

6. PROFIT BEFORE TAX

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

		Six months ended 30 June	
		2016	2015
	Notes	RMB'000	RMB'000
		(Unaudited)	(Unaudited)
Cost of inventories sold		97,182	106,444
Depreciation:			
Property, plant and equipment	10	7,540	5,228
Investment properties		11	146
		7,551	5,374
Employee benefit expenses (including directors' remuneration):			
Wages and salaries		45,605	48,110
Equity-settled share option expenses	22	–	1,686
Pension scheme contributions		6,492	6,275
		52,097	56,071

6. PROFIT BEFORE TAX (continued)

	Notes	Six months ended 30 June	
		2016 RMB'000 (Unaudited)	2015 RMB'000 (Unaudited)
Amortisation of prepaid land lease payments*	12	944	1,023
Amortisation of other intangible assets*	10	786	786
Impairment of other intangible assets [^]		7,470	–
Impairment of trade receivables [^]		3,364	–
Fair value gains, net:			
Derivative instruments – transactions not qualifying as hedges		(4,235)	4,760
Write-down of inventories to net realisable value [#]		53,098	35,996
Foreign exchange differences, net		46	1,973

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

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

[^] The impairment of other intangible assets and trade receivables are included in “Other operating expenses” in the interim condensed consolidated statement of profit or loss and other comprehensive income.

7. INCOME TAX EXPENSE

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

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

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

In accordance with the relevant PRC income tax rules and regulations, the Group's subsidiaries incorporated/registered in the PRC are subject to Corporate Income Tax ("CIT") at a statutory rate of 25% on their respective taxable income for the Relevant Period and the six-month periods ended 30 June 2015.

	Six months ended 30 June	
	2016	2015
	RMB'000	RMB'000
	(Unaudited)	(Unaudited)
Current – PRC		
Charge for the period	39,236	46,456
Deferred	(14,799)	(4,648)
Total tax charge for the period	24,437	41,808

8. DIVIDEND

The Board does not recommend to declare any final dividends or interim dividends for the year ended 31 December 2015 and for the Relevant Period respectively.

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

The calculation of basic earnings per share is based on the profit for the Relevant Period attributable to ordinary equity holders of the parent of RMB53,294,000 (six months ended 30 June 2015: RMB95,710,000) and the weighted average number of ordinary shares of 3,435,512,411 (six months ended 30 June 2015: 3,440,181,967) in issue during the Relevant Period.

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

	Six months ended 30 June	
	2016	2015
	RMB'000	RMB'000
	(Unaudited)	(Unaudited)
Earnings		
Profit attributable to ordinary equity holders of the parent, used in the basic earnings per share calculation	53,294	95,710
Number of shares		
	Six months ended 30 June	
	2016	2015
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	(9,937,589)	(5,268,033)
Adjusted weighted average number of ordinary shares in issue used in the basic earnings per share calculation	3,435,512,411	3,440,181,967

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 2016	246,834	112,449
Additions	1,095	–
Disposals	(13)	–
Depreciation and amortisation provided during the period	(7,540)	(786)
Impairment	–	(7,470)
Exchange realignment	612	1,954
Closing net book amount at 30 June 2016	240,988	106,147
Audited		
Opening net book amount at 1 January 2015	207,367	112,697
Additions	50,445	–
Disposals	(611)	–
Depreciation and amortisation provided during the year	(12,233)	(1,572)
Impairment	–	(4,680)
Exchange realignment	1,866	6,004
Closing net book amount at 31 December 2015	246,834	112,449

As at 30 June 2016, three certificates of ownership in respect of properties in Haikou with net carrying amount of RMB 19,313,000 (2015: RMB 19,191,000), and two certificates of ownership in respect of two warehouses in Shanghai and Chengdu with net carrying amount of approximately RMB103,950,000 and RMB5,607,000 respectively (2015: a certificate of ownership in respect of a warehouse in Shanghai with a net carrying amount of approximately RMB 106,478,000 a certificate of ownership in respect of a warehouse in Chengdu with a net carrying amount of approximately RMB5,786,000) 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 2016 and 31 December 2015 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 RMB41,650,327 as 30 June 2016 (31 December 2015: RMB49,120,327). Accordingly, management had determined that there was an impairment of the trademark of “London Fog”, and recognized an impairment charge of RMB7,470,000 (2015: RMB4,680,000), 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 2015: 19.0%) and cash flows beyond the five-year period are extrapolated using a growth rate of 3% (31 December 2015: 3%) which does not exceed the projected long term average growth rate for the relevant industry in the PRC.

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 2015: 20.0%) for London Fog, 24.0% (31 December 2015: 25.0%) for Zoo York and 27% (31 December 2015: 28.0%) for Artful Dodger and cash flows beyond the five-year period were extrapolated using a growth rate of 3% (31 December 2015: 3%) which does not exceed the projected long term average growth rate for the relevant industry in the PRC.

Assumptions were 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:

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

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 2016 RMB'000 (Unaudited)	31 December 2015 RMB'000 (Audited)
Opening net book amount	87,785	89,805
Amortisation charged during the period/year	(944)	(2,020)
Closing net book amount	86,841	87,785
Current portion included in prepayments, deposits and other receivables (note 15)	(1,889)	(2,020)
Non-current portion	84,952	85,765

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

13. INVENTORIES

	30 June 2016 RMB'000 (Unaudited)	31 December 2015 RMB'000 (Audited)
Raw materials	14,150	11,997
Work in progress	4,856	6,365
Finished goods	317,119	380,237
	336,125	398,599

14. TRADE AND BILLS RECEIVABLES

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

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

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

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

An aged analysis of the trade receivables as at 30 June 2016 and 31 December 2015, based on the invoice date and net of provision and the balances of bills receivable, is as follows:

	30 June 2016 RMB'000 (Unaudited)	31 December 2015 RMB'000 (Audited)
Trade receivables		
Within 60 days	82,847	107,929
61 to 90 days	1,197	800
91 to 180 days	1,542	2,057
181 to 360 days	968	3,383
Over 360 days	–	1,044
	86,554	115,213
Bills receivable	2,450	3,382
	89,004	118,595

15. PREPAYMENTS, DEPOSITS AND OTHER RECEIVABLES

	30 June 2016 RMB'000 (Unaudited)	31 December 2015 RMB'000 (Audited)
Prepayments	36,305	41,188
Deposits and other receivables	44,546	32,512
Current portion of prepaid land lease payments (note 12)	1,889	2,020
	82,740	75,720

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.

16. STRUCTURED BANK DEPOSITS

	30 June 2016 RMB'000 (Unaudited)	31 December 2015 RMB'000 (Audited)
Structured bank deposits, in licensed banks in Mainland China, at amortised cost	473,500	380,734

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

17. PLEDGED BANK DEPOSITS AND CASH AND CASH EQUIVALENTS

	30 June 2016 RMB'000 (Unaudited)	31 December 2015 RMB'000 (Audited)
Cash and bank balances	163,556	160,086
Time deposits	432,723	442,890
	596,279	602,976
Less: Bank deposits pledged*	(427,723)	(437,890)
Cash and cash equivalents as stated in the interim condensed consolidated statement of financial position	168,556	165,086

* Bank deposits pledged for securing interest-bearing bank borrowing and forward currency contracts amounted to RMB390,000,000 and RMB37,723,000 respectively. (31 December 2015: Bank deposits pledged for securing interest-bearing bank borrowing, forward currency contracts and for issuing bank acceptance notes amounted to RMB390,000,000, RMB37,723,000 and RMB10,167,000, respectively).

At the end of the Relevant Period, the cash and bank balances and time deposits of the Group denominated in RMB amounted to RMB564,115,000 (31 December 2015: RMB496,137,000). The RMB is not freely convertible into other currencies, however, under the PRC's Foreign Exchange Control Regulations and Administration of Settlement, Sale and Payment of Foreign Exchange Regulations, the Group is permitted to exchange RMB for other currencies through banks authorised to conduct foreign exchange business.

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

18. INTEREST-BEARING BANK BORROWINGS

	30 June 2016 RMB'000 (Unaudited)	31 December 2015 RMB'000 (Audited)
Interest-bearing bank borrowing	367,508	360,245

Short-term loans outstanding as of 30 June 2016 represent HK\$ denominated bank borrowings of HK\$430,000,000, obtained from financial institutions in Hong Kong. These bank borrowings are secured by RMB denominated pledged bank deposits placed with financial institutions in China of RMB390,000,000 as at 30 June 2016. Pledged deposits were classified as “Pledged bank deposits” on the interim condensed consolidated statements of financial position as at 30 June 2016. The short-term bank borrowings are repayable on demand and bear interest at rates ranging from HongKong InterBank Offered Rate (“HIBOR”) plus 1.50%.

19. TRADE AND BILLS PAYABLES

An aged analysis of the trade payables as at 30 June 2016 and 31 December 2015, based on the invoice date, and the balances of bills payable, is as follows:

	30 June 2016 RMB'000 (Unaudited)	31 December 2015 RMB'000 (Audited)
Trade payables		
Within 30 days	24,942	36,904
31 to 90 days	3,235	10,582
91 to 180 days	75	692
181 to 360 days	5,519	2,621
	33,771	50,799
Bills payable	44,733	54,901
	78,504	105,700

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

20. DEPOSITS RECEIVED, OTHER PAYABLES AND ACCRUALS

	30 June 2016 RMB'000 (Unaudited)	31 December 2015 RMB'000 (Audited)
Advances from customers	68,676	66,755
Other payables	29,632	29,679
Accruals	3,953	9,607
Other taxes payable	7,483	–
	109,744	106,041

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

**21. ISSUED CAPITAL
Shares**

	30 June 2016 HK\$'000 (Unaudited)	31 December 2015 HK\$'000 (Audited)
Issued and fully paid: 3,445,450,000 (31 December 2015: 3,445,450,000) ordinary shares of HK\$0.1 each	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 options

Details of the Company's share option schemes and the share options issued under the schemes are included in note 22 to the financial statements.

22. 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 2015.

Pre-IPO Share Option Scheme

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

	Six months ended 30 June 2016		Six months ended 30 June 2015	
	Weighted average exercise price HK\$ per share	Number of options	Weighted average exercise price HK\$ per share	Number of options
At the beginning & end of period/year	1.64	126,018,000	1.64	168,024,000

The Company recognised a share option expenses of Nil in the Relevant Period (six months ended 30 June 2015: RMB1,686,000).

As at 9 December 2015, 42,006,000 share options became lapsed as no share option was exercised within the three-year exercise period for the one-fourth of the share options vested and exercisable on 9 December 2012.

No share option was exercised during the Relevant Period. As at 30 June 2016, the Company had 126,018,000 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 126,018,000 additional ordinary shares of the Company and additional share capital of HK\$12,601,800 (equivalent to RMB10,770,000) and share premium of HK\$194,067,720 (equivalent to RMB165,864,000) (before issue expenses).

At the date of approval of these interim condensed consolidated financial statements, the Company had 126,018,000 share options outstanding under the Pre-IPO Share Option Scheme, which represented approximately 3.66% of the Company’s shares in issue as at that date.

22. SHARE OPTION SCHEME *(continued)*

Share Option Scheme

As at 30 June 2016 and the date of approval of these interim condensed consolidated financial statements, no share option was granted and outstanding under the Share Option Scheme.

23. SHARE AWARD SCHEME

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

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

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

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

The Trustee purchased 506,000 shares of the Company at a total cost (including related transaction costs) of HK\$215,000 (equivalent to RMB182,000) during the Relevant Period (six months ended 30 June 2015: The Trustee purchased 3,392,000 shares of the Company at a total cost (including related transaction costs) of HK\$3,036,504 (equivalent to RMB2,396,000)).

The Board did not yet grant any shares to any employees from 4 November 2014 to 30 June 2016.

24. OPERATING LEASE ARRANGEMENTS

(a) As lessor

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

At 30 June 2016, the Group had total future minimum lease receivables under non-cancellable operating leases with its tenants falling due as follows:

	30 June 2016 RMB'000 (Unaudited)	31 December 2015 RMB'000 (Audited)
Within one year	536	2,110
In the second to fifth years, inclusive	3,444	1,096
	3,980	3,206

(b) As lessee

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

At 30 June 2016, the Group had total future minimum lease payments under non-cancellable operating leases falling due as follows:

	30 June 2016 RMB'000 (Unaudited)	31 December 2015 RMB'000 (Audited)
Within one year	8,802	8,600
In the second to fifth year, inclusive	6,441	6,965
	15,243	15,565

25. COMMITMENTS

In addition to the operating lease commitments detailed in note 24(b) above, the Group had the following capital commitments at the end of the Relevant Period:

	30 June 2016 RMB'000 (Unaudited)	31 December 2015 RMB'000 (Audited)
Contracted provided for:		
Lands and buildings	6,632	–
	6,632	–

26. CONTINGENT LIABILITIES

The Group had no significant contingent liabilities as at 30 June 2016 and 31 December 2015.

27. RELATED PARTY TRANSACTIONS

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

	Six months ended 30 June	
	2016 RMB'000 (Unaudited)	2015 RMB'000 (Unaudited)
Fees	1,460	1,460
Salaries, allowances and benefits in kind	2,201	1,991
Equity-settled share option expenses	–	1,686
Pension scheme contributions	79	72
Total compensation paid to key management personnel	3,740	5,209

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. FAIR VALUES AND FAIR VALUE HIERARCHY OF FINANCIAL INSTRUMENTS

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

	Carrying amounts		Fair values	
	30 June 2016 RMB'000	31 December 2015 RMB'000	30 June 2016 RMB'000	31 December 2015 RMB'000
Financial assets				
Derivative financial instruments	9,261	5,026	9,261	5,026

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

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

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

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

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

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

Fair value hierarchy

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

Assets measured at fair value

As at 30 June 2016

	Fair value measurement using			Total RMB'000
	Quoted prices in active markets	Significant observable inputs	Significant unobservable inputs	
	Level 1	Level 2	Level 3	
	RMB'000	RMB'000	RMB'000	
Derivative financial instruments	-	9,261	-	9,261

As at 31 December 2015

	Fair value measurement using			Total RMB'000
	Quoted prices in active markets	Significant observable inputs	Significant unobservable inputs	
	Level 1	Level 2	Level 3	
	RMB'000	RMB'000	RMB'000	
Derivative financial instruments	-	5,026	-	5,026

Liabilities measured at fair value

The Group did not have any financial liabilities measured at fair value as at 30 June 2016 (31 December 2015: Nil).

29. 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.

30. 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 of directors on 22 August 2016.

MANAGEMENT DISCUSSION AND ANALYSIS

MARKET OVERVIEW

For most of the Chinese conventional retailers in the menswear sector, the Relevant Period continued to be difficult and challenging. Amid the continuous slowdown of China's macro-economy, demonstrated by the weakest Gross Domestic Product growth rate ("GDP") of 6.7% for the past 26 years since 1990, the total retail sales of consumer products only increased by 10.3% in the Relevant Period, representing a fall by 0.1 percentage point from 10.4% in the corresponding period in 2015. In particular, retail sales of apparel products achieved by the Top 100 key and large-scale retailers recorded a decline of 3.3% in the Relevant Period, representing a fall by 7.0 percentage points from an increase of 3.7% in the corresponding period in 2015.

Confronted with the weak market sentiment and the increasing competitive market place, the Group reported a decline in revenue by 12.7% from RMB526.6 million in the six months ended 30 June 2015 to RMB459.8 million in the Relevant Period and a decline in profit attributable to owners of the parent by 44.3% from RMB95.7 million in the six months ended 30 June 2015 to RMB53.3 million in the Relevant Period.

FINANCIAL REVIEW

Revenue

The Group recorded revenue of RMB459.8 million in the Relevant Period representing a decrease by RMB66.8 million, or approximately 12.7% as compared to RMB526.6 million in the six months ended 30 June 2015.

By sales channel

Revenue from self-operated retail sales decreased by RMB32.0 million, or 8.5%, from RMB375.2 million in the six months ended 30 June 2015 to RMB343.2 million in the Relevant Period and accounted for approximately 74.6% (1H2015: 71.3%) of total revenue. The decrease in revenue was primarily due to the continuous decline in customer traffic flows in mainstream department stores in the first to second tier cities where a majority of our self-operated retail points are located. The decline in customer traffic flows led to a decrease in Same Store Sales by 13.2%. Despite the decrease in retail sales through self-operated stores, we remained committed to our multi-channel strategy in response to the evolving consumption behavior and we saw higher growth in sales from outlet stores. Revenue from outlet stores increased by RMB6.4 million, or 7.6%, from RMB84.1 million in the six months ended 30 June 2015 to RMB90.5 million in the Relevant Period.

FINANCIAL REVIEW *(continued)*

Revenue *(continued)*

By sales channel (continued)

Revenue from sales to third-party retailers decreased by RMB37.8 million, or 29.6%, from RMB127.5 million in the six months ended 30 June 2015 to RMB89.7 million in the Relevant Period and accounted for approximately 19.5% (1H2015: 24.2%) of total revenue. The decrease in revenue was primarily attributable to (i) the decrease in retail points operated by third-party retailers; (ii) the third-party retailers becoming more conservative under the current sluggish retail market conditions, especially in North China and third to fourth tier cities where a majority of our third-party retailers are located; and (iii) e-commerce presenting more choices to consumers in the third to fourth tier cities in China, thus impacting conventional retailers.

Revenue from e-commerce business increased by RMB3.0 million, or 12.6%, from RMB23.9 million in the six months ended 30 June 2015 to RMB26.9 million in the Relevant Period and accounted for approximately 5.9% (1H2015: 4.5%) of total revenue. The increase in revenue from e-commerce business was primarily attributable to (i) an increase in sales from online discount platform such as VIP.com, from RMB11.4 million in the six months ended 30 June 2015 to RMB12.5 million in the Relevant Period; (ii) an increase in sales from self-operated e-commerce platforms from RMB3.8 million in the six months ended 30 June 2015 to RMB4.7 million in the Relevant Period; and (iii) an increase in sales to online third-party retailers from RMB8.7 million in the six months ended 30 June 2015 to RMB9.7 million in the Relevant Period.

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

	Six months ended 30 June			
	2016		2015	
	Revenue RMB million	% of total revenue	Revenue RMB million	% of total revenue
Retail sales from self-operated retailers	343.2	74.6	375.2	71.3%
Sales to third-party retailers	89.7	19.5	127.5	24.2%
Sales from e-commerce business	26.9	5.9	23.9	4.5%
Total	459.8	100.0%	526.6	100.0%

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

Revenue contributed from self-owned brands increased by RMB4.7 million, or approximately 12.1%, from RMB38.9 million in the six months ended 30 June 2015 to RMB43.6 million in the Relevant Period. Percentage of revenue from self-owned brands over total revenue increased from 7.4% in the six months ended 30 June 2015 to 9.5% in the Relevant Period.

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

	Six months ended 30 June			
	2016		2015	
	Revenue RMB million	% of total revenue	Revenue RMB million	% of total revenue
Licensed brands	416.2	90.5%	487.7	92.6%
Self-owned brands	43.6	9.5%	38.9	7.4%
Total	459.8	100.0%	526.6	100.0%

Cost of sales

Our cost of sales increased by RMB7.9 million, or approximately 5.5%, from RMB142.4 million in the six months ended 30 June 2015 to RMB150.3 million in the Relevant Period. The increase in cost of sales was primarily due to a mixed effect of an increase in inventory provision by RMB17.1 million from RMB36.0 million in the six months ended 30 June 2015 to RMB53.1 million in the Relevant Period; offset by a corresponding decrease in cost of inventories sold by RMB9.2 million, or approximately 8.6%, from 106.4 million in the six months ended 30 June 2015 to RMB97.2 million in the Relevant Period.

Gross profit and gross profit margin

Our gross profit decreased by RMB74.6 million, or approximately 19.4%, from RMB384.1 million in the six months ended 30 June 2015 to RMB309.5 million in the Relevant Period as a result of the decrease in revenue and increase in cost of sales. Our overall gross profit margin also decreased from 72.9% in the six months ended 30 June 2015 to 67.3% in the Relevant Period primarily because of the increase in inventory provisions. Save for the inventory provisions, our overall gross profit margin would have been 78.9% in the Relevant Period, which was largely in consistent with 79.8% in the six months ended 30 June 2015.

FINANCIAL REVIEW *(continued)*

Other income and gains, net

Our other income and gains increased by RMB3.1 million, or approximately 26.5%, from RMB11.7 million in the six months ended 30 June 2015 to RMB14.8 million in the Relevant Period, primarily due to the mixed effect of (i) a gain of change in fair values of derivative financial instruments of RMB4.2 million (1H2015: a loss of RMB4.8 million) arising from various forward contracts entered into between the Group with the bank for the purpose of hedging the exchange risk arising from the interest-bearing bank borrowings denominated in Hong Kong dollars; and offset by (ii) a decrease in subsidy income by RMB2.0 million from RMB10.4 million in the six months ended 30 June 2015 to RMB8.4 million in the Relevant Period.

Selling and distribution costs

Our selling and distribution costs decreased by RMB16.6 million, or approximately 6.8%, from RMB243.3 million in the six months ended 30 June 2015 to RMB226.7 million in the Relevant Period.

Rents and concession fees for occupying concession counters within department stores and shopping malls decreased by RMB12.3 million, or approximately 11.3%, from RMB108.6 million in the six months ended 30 June 2015 to RMB96.3 million in the Relevant Period, which was largely due to the decrease in sales from self-operated retail points.

The labour costs related to sales and marketing staff increased from RMB44.3 million in the six months ended 30 June 2015 to RMB45.0 million in the Relevant Period. This increase was primarily attributable to the increase in basic salary.

The Group incurred advertising and promotion expenses of RMB5.7 million (1H2015: RMB5.8 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.

Decoration expenses for renovation of the self-operated retail points decreased from RMB11.3 million in the six months ended 30 June 2015 to RMB7.5 million in the Relevant Period primarily due to the decrease in number of new stores opened during the Relevant Period.

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

FINANCIAL REVIEW *(continued)*

Administrative expenses

Our administrative expenses increased by RMB0.9 million, or approximately 3.6%, from RMB25.2 million in the six months ended 30 June 2015 to RMB26.1 million in the Relevant Period, primarily due to the increase in depreciation and amortization by RMB2.1 million due to the operation of the new logistic center in Shanghai in the second half of 2015.

Other operating expenses

Other operating expenses mainly represented (i) an impairment on trademarks – London Fog of RMB7.5 million (1H2015: Nil); and (ii) an impairment on trade receivables of RMB3.4 million (1H2015: Nil).

Finance income

Our finance income decreased to RMB17.2 million in the Relevant Period as compared to that of RMB24.6 million in the six months ended 30 June 2015, representing a decrease by 30.1%, primarily due to the decrease in interest rate in structure bank deposits and bank deposits during the Relevant Period.

Finance costs

The Group obtained overseas short-term bank loans from financial institutions in Hong Kong. Finance costs of RMB3.2 million (1H2015: RMB6.8 million) represented bank interest expenses incurred in relation to the above bank loans in the Relevant Period.

Share of profits from joint ventures

Share of profits from joint ventures represented share of profits from a joint venture – MCS of RMB4.5 million (1H2015: RMB0.5 million) which was partially offset by share of losses from the joint ventures – Henry Cotton's and Marina Yachting of RMB1.5 million and RMB0.5 million, respectively (1H2015: losses for Henry Cotton's of RMB0.2 million and nil for Marina Yachting).

Profit before tax

As a result of the foregoing factors, our profit before tax decreased by RMB59.5 million, or approximately 43.6%, from RMB136.5 million in the six months ended 30 June 2015 to RMB77.0 million in the Relevant Period.

FINANCIAL REVIEW *(continued)*

Income tax expense

Income tax expense decreased by RMB17.4 million, or approximately 41.6%, from RMB41.8 million in the six months ended 30 June 2015 to RMB24.4 million in the Relevant Period primarily due to (i) the decrease in current income tax by RMB7.3 million, or approximately 15.7%, from RMB46.5 million in the six months ended 30 June 2015 to RMB39.2 million in the Relevant Period due to the decrease in profit before tax; and (ii) an increase in deferred tax assets in respect of inventory provisions and impairment on trade receivables which led to a deferred tax income of RMB14.8 million during the Relevant Period (1H2015: RMB4.6 million). The effective income tax rate in the Relevant Period was 31.7% (1H2015: 30.6%).

Profit for the period

Profit for the period decreased by RMB42.1 million, or approximately 44.5%, from RMB94.7 million in the six months ended 30 June 2015 to RMB52.6 million in the Relevant Period. The decrease in net profit margin from 18.0% in the six months ended 30 June 2015 to 11.4% in the Relevant Period was primarily due to:

- a decrease in gross profit margin by 5.6 percentage points from 72.9% in the six months ended 30 June 2015 to 67.3% in the Relevant Period due to the increase in inventory provisions; and
- an increase in percentage of selling and distribution costs and administrative expenses over total revenue from 51.0% in the six months ended 30 June 2015 to 55.0% in the Relevant Period.

Profit attributable to ordinary equity holders of the parent

As a result of the foregoing, profit attributable to ordinary equity holders of the parent decreased by RMB42.4 million, or approximately 44.3%, from RMB95.7 million in the six months ended 30 June 2015 to RMB53.3 million in the Relevant Period.

Working Capital Management

	30 June 2016	31 December 2015
Inventory turnover days	440	419
Trade receivables turnover days	39	42
Trade payables turnover days	51	52

FINANCIAL REVIEW *(continued)***Working Capital Management** *(continued)*

The increase in inventory turnover by 21 days was mainly due to increase in inventory turnover days for inventories aged over one year by 19 days resulted from decrease in sales and sluggishness of conventional retail market. However, the inventory balance decreased by RMB62.5 million, or 15.7% from RMB398.6 million as at 31 December 2015 to RMB336.1 million as at 30 June 2016.

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

Liquidity, financial position and cash flows

As at 30 June 2016, we had net current assets of approximately RMB898.2 million, as compared to RMB859.4 million as at 31 December 2015. The current ratio of our Group was 2.3 as at 30 June 2016, as compared to that of 2.2 as at 31 December 2015.

As at 30 June 2016, the Group had secured banking facilities of RMB367.5 million and there was no undrawn banking facilities.

As at 30 June 2016, we had an aggregate cash and cash equivalents and structured bank deposits of approximately RMB1,069.8 million. The table below sets forth selected cash flow data from our consolidated statement of cash flows:

	Six months ended 30 June	
	2016	2015
	RMB million	RMB million
Net cash flows from operating activities	81.6	27.9
Net cash flows (used in)/from investing activities	(90.0)	307.6
Net cash flows used in financing activities	(0.1)	(372.5)
Net decrease in cash and cash equivalents	(8.5)	(37.0)
Effect of foreign exchange rate changes, net	1.8	(0.9)
Cash and cash equivalents at the beginning of the period	172.3	199.4
Cash and cash equivalents at the end of the period	165.6	161.5

FINANCIAL REVIEW *(continued)*

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

Operating activities

Net cash flows from operating activities increased by RMB53.7 million from RMB27.9 million in the six months ended 30 June 2015 to RMB81.6 million in the Relevant Period which was primarily attributable to (i) the operating cash inflows before changes in working capital of RMB129.6 million (1H2015: RMB168.0 million); and (ii) changes in working capital representing a decrease of cash of RMB48.0 million (1H2015: RMB140.1 million).

Investing activities

Net cash flows used in investing activities of RMB90.0 million in the Relevant Period mainly represented the increase in investments in structured bank deposits of RMB92.8 million.

Financing activities

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

Gearing Ratio

The gearing ratio of the Group which is calculated by dividing total borrowings by total equity had been arrived at 22% as at 30 June 2016 (31 December 2015: 22%). Further details of the Group's bank borrowings are set out in note 18 of the notes to the interim condensed consolidated financial statements.

Pledge of group assets

As at 30 June 2016, short-term bank deposits of RMB390.0 million have been pledged as security for obtaining banking facilities of the Group. The Group also pledged short-term bank deposits of RMB37.7 million for forward contracts.

Capital commitments and contingent liabilities

As at 30 June 2016, the Group had capital commitments of approximately RMB6.6 million (31 December 2015: Nil) and there was no significant contingent liabilities (31 December 2015: Nil).

Foreign exchange management

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

FINANCIAL REVIEW (continued)**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.

The table below sets forth the utilisation of the net proceeds from the IPO and the unused amount as at 30 June 2016. 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 2016 (HK\$ million)	Unutilised amount as at 30 June 2016 (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 2016, our sales network comprised of a total of 633 self-operated retail points, consisting of concession counters, consignment stores and stand alone stores, and 478 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 2016 and 31 December 2015:

Brand	As at 30 June 2016			As at 31 December 2015		
	Self-operated retail points	Retail points operated by third-party retailers	Total retail points	Self-operated retail points	Retail points operated by third-party retailers	Total retail points
Jeep						
– Menswear	216	428	644	218	450	668
– Spirit*	54	9	63	65	10	75
SBPRC	177	37	214	188	42	230
London Fog	59	1	60	59	1	60
MCS	52	–	52	52	–	52
Others	75	3	78	89	–	89
Total	633	478	1,111	671	503	1,174

* including 30 and 47 retail points of Jeep lady as at 30 June 2016 and 31 December 2015, respectively.

OPERATION REVIEW *(continued)*

Self-operated retail points

As at 30 June 2016, we had a network of 603 self-operated concession counters (31 December 2015: 641 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 122 were outlet stores as at 30 June 2016 (31 December 2015: 114 outlet stores);

As at 30 June 2016, we had a network of 30 stand alone stores (31 December 2015: 30 stores) which were located in shopping malls within major cities in the PRC to ensure a steady flow of consumers as well as to enhance our sales and brand awareness.

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

- a net increase of 8 outlet stores in response to changes in consumer behavior and rapid sales growth in outlet store channel;
- a net increase of 6 new retail points for the expansion and development of our new brands such as Barbour, Henry Cotton's and Marina Yachting in the Relevant Period.

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 2016, we had a total of 478 retail points that were operated by third-party retailers, representing a decrease of 5.0% as compared to that of 503 at 31 December 2015.

E-commerce

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

OPERATION REVIEW *(continued)*

Sales Management

On 15 August 2016, we have appointed Mr. Li Zhujun (李祝軍先生) and Mr. Yu Wenlong (余文龍先生) as our new Chief Operation Officer and Chief Marketing Officer, respectively. Both Mr. Li and Mr. Yu have over 15 years of experience in the retail and apparel industry. Previously, Mr. Li was the Chief Marketing Officer of the Group and Mr. Yu was the deputy general manager of a subsidiary of the Group for managing the retail business in the south China region.

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 diversification initiatives in brand portfolio during the Relevant Period included the followings:

Greg Norman

On 27 April 2016, the Group entered into a trademark license and distribution agreement with Tharanco Lifestyles LLC d/b/a Greg Norman Collection which grants the right to manufacture, design, sale, distribution, advertisement and promotion of products under the "Greg Norman" brand in the PRC starting from 27 April 2016. The Greg Norman Collection (the "GNC") is a leading designer and distributor of golf-inspired sportswear and accessories, targeting active and sophisticated men and women. Established in 1992, GNC was inspired by golfing legend Greg Norman and built upon a unique combination of performance, luxury and style.

MCS

During the Relevant Period, MCS sponsored the Chinese Super Model Soccer Team including top models of Mr. Rock Ji (紀煥博先生), Mr. Miracle Qi (戚迹先生) etc. MCS also provided some of the apparel for Mr. Andy Lau (劉德華先生), the prominent actor in the movie "Shock Wave" ("拆彈專家") to be shown in the cinemas in 2017.

OPERATION REVIEW *(continued)*

Branding *(continued)*

LINCS

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

Zoo York

ZooYork is the title sponsor for CSP China Skate Park League (CSP全國滑板場聯賽). The events will be held across 7 major cities in China including Shanghai, Shenzhen, Chengdu etc., from 26 June 2016 to 25 September 2016. Over 20 skate clubs will participate in the events.

Fashion Shows

From 16 March 2016 to 18 March 2016, we organized 8 fashion shows in Shanghai to display the fall and winter new collection products under a number of brands operated by us including Barbour, Jeep Spirit, Henry Cotton’s, LINCS, Marina Yachting, MCS, Santa Barbara Polo & Racquet Club and Zoo York. Chinese top models Mr. Rock Ji (紀煥博先生) and Ms. Lela Wang (王詩晴女士) and over 100 celebrities attended the event.

Design and product development

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

OPERATION REVIEW *(continued)*

Production and supply chain

The positing of products in warehouses through our self-developed logistic system and personal digital assistant has substantially completed during the Relevant Period and together with the operational of the new logistic center in Shanghai have significantly improved efficiency of order-fulfillment process in warehouses and transformed our warehousing system into a B2C logistics center for direct distribution of products to customers.

Sales contributed by the self-developed O2O system which allows the Group to timely capture sales opportunities in the retail points increased by RMB18.6 million, or approximately 127.4%, from RMB14.6 million in the six months ended 30 June 2015 to RMB33.2 million during the Relevant Period.

Employee information

As at 30 June 2016, the Group had approximately 2,867 full-time employees. Staff costs, including Directors' remuneration, totalled RMB52.1 million in the Relevant Period (1H2015: RMB56.1 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 126,018,000 options under the Pre-IPO Share Option Scheme that were granted to 17 participants (including 7 directors) remained outstanding as at 30 June 2016.

Corporate Social Responsibility and Sustainability Initiatives

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

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

OPERATION REVIEW *(continued)*

Prospects

The management will continue to focus on the following key objectives for the second half of 2016:

- In line with our multi-brand strategy, the Group will seek opportunities to further diversify its brand portfolio and increase the portion of revenue from self-owned brands. We plan to introduce the first spring/summer season products of our new brand Greg Norman in the beginning of 2017;
- The Group will continue to increase spending on marketing and promotion that consists of consumer studies, advertising, public relations, events, online and digital marketing, visual merchandising, and celebrity endorsement to enhance interaction with the customers and to raise brand awareness among our target customers;
- The Group will continue to commit to its multi-channel strategy and place great emphasis on expanding our store network in outlet stores and multi brand lifestyle stores (多品牌集合店) in order to attract more customer flows. E-commerce is also a priority of our sales channel strategy;
- The Group will continue to encourage sales staff and third-party retailers to use the self-developed O2O system and accelerate the response to ultimate consumers' demands for our products; and
- The Group will actively explore the “new form” of the conventional retail stores that combine exquisite store decoration, digitalization of product offering and superior customer experience.

INTERIM DIVIDENDS

The Directors do not recommend to declare any interim dividends for the Relevant Period (1H2015: 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 2016, the interests and short positions of the Directors and chief executives of the Company in the shares, underlying shares and debentures of the Company or its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance (the "SFO")), as recorded in the register required to be kept by the Company pursuant to Section 352 of the SFO, or as otherwise notified to the Company and The Stock Exchange of Hong Kong Limited (the "Stock Exchange") pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers ("Model Code") contained in Appendix 10 to the Listing Rules, were as follows:

Long Positions in Ordinary Shares and Underlying Shares of the Company:

Name of director	Nature of Interest	Number of Ordinary Shares Owned	Underlying Shares Interested (Note 1)	Total	Percentage of the Company's issued share capital (%)
Mr. LO Peter	Beneficial owner	1,000,000	15,246,000	16,246,000	0.47
Mr. ZHANG Yongli	Beneficial owner	9,028,000	15,246,000	24,274,000	0.70
	Corporate interest (Note 2)	1,789,636,000	-	1,789,636,000	51.94
Mr. SUN David Lee	Beneficial owner	452,000	6,246,000	6,698,000	0.19
Ms. HUANG Xiaoyun	Beneficial owner	600,000	10,800,000	11,400,000	0.33
Mr. KWONG Wilson Wai Sun	Beneficial owner	-	750,000	750,000	0.02
Mr. CUI Yi	Beneficial owner	-	750,000	750,000	0.02
Mr. YEUNG Chi Wai	Beneficial owner	-	750,000	750,000	0.02

Note:

- (1) The number of underlying shares represents the shares in which the Directors are deemed to be interested as a result of holding share options.
- (2) CEC Outfitters Limited, holding 1,789,636,000 shares (long position) of the Company, was owned as to 56.13% and 43.87% by CEC Menswear Limited ("CEC Menswear") and Vinglory Holdings Limited ("Vinglory") respectively. CEC Menswear was wholly owned by China Enterprise Capital Limited. Vinglory was wholly owned by Mr. ZHANG Yongli.

Save as disclosed above, as at 30 June 2016, 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 2016, the following interests and short positions of 5% or more of the issued share capital and share options of the Company were recorded in the register of interests required to be kept by the Company pursuant to Section 336 of the SFO:

Long Position:

Name	Notes	Nature of Interest	Number of Shares	Percentage of the Company's Issued Share Capital
China Enterprise Capital Limited	(1)	Corporate interest	1,786,656,000	51.86
CEC Menswear Limited	(1)	Corporate interest	1,786,656,000	51.86
Mr. ZHANG Yongli	(1)	Corporate interest	1,789,636,000	51.94
	(1)	Beneficial owner	24,274,000	0.70
Vinglory Holdings Limited	(1)	Corporate interest	1,789,636,000	51.94
CEC Outfitters Limited	(1)	Beneficial owner	1,786,656,000	51.86
Managecorp Limited	(2)	Trustee	491,784,000	14.27
Ms. LAM Lai Ming	(2)	Other	491,784,000	14.27
Mr. LI Gabriel	(2)	Other	491,784,000	14.27
YM Investment Limited	(3)	Corporate interest	491,784,000	14.27
Orchid Asia IV Investment, Limited	(3)	Corporate interest	482,078,000	13.99
Orchid Asia IV Group, Limited	(3)	Corporate interest	482,078,000	13.99
Orchid Asia IV Group Management, Limited	(3)	Corporate interest	482,078,000	13.99
OAIV Holdings, L.P.	(3)	Corporate interest	482,078,000	13.99
Orchid Asia IV, L.P.	(3)	Beneficial owner	482,078,000	13.99
Mr. KRAVIS Henry Roberts	(4)	Corporate interest	285,366,000	8.33
Mr. ROBERTS George R.	(4)	Corporate interest	285,366,000	8.33
KKR Management LLC	(4)	Corporate interest	285,366,000	8.33
KKR & Co. L.P.	(4)	Corporate interest	285,366,000	8.33
KKR Group Limited	(4)	Corporate interest	285,366,000	8.33
KKR Fund Holdings GP Limited	(4)	Corporate interest	285,366,000	8.33
KKR Group Holdings L.P.	(4)	Corporate interest	285,366,000	8.33
KKR Fund Holdings L.P.	(4)	Corporate interest	285,366,000	8.33
KKR China Growth Limited	(4)	Corporate interest	285,366,000	8.33
KKR SP Limited	(4)	Corporate interest	285,366,000	8.33
KKR Associates China Growth L.P.	(4)	Corporate interest	285,366,000	8.33
KKR China Growth Fund L.P.	(4)	Corporate interest	285,366,000	8.33
KKR China Apparel Limited	(4)	Beneficial owner	285,366,000	8.33

DISCLOSURE OF INTERESTS *(continued)*

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

Long positions: (continued)

Notes:

- (1.1) CEC Outfitters Limited, holding 1,789,636,000 shares (long position) of the Company, was owned as to 56.13% and 43.87% by CEC Menswear Limited ("CEC Menswear") and Vinglory Holdings Limited ("Vinglory") respectively. CEC Menswear was wholly owned by China Enterprise Capital Limited. Vinglory was wholly owned by Mr. ZHANG Yongli. The interest in 1,789,636,000 shares (long position) relates to the same block of shares in the Company.
- (1.2) Mr. ZHANG Yongli held interests in a total of 24,274,000 shares (long position) of the Company, including 15,246,000 underlying shares interested as a result of holding share options.
- (2) YM Investment Limited, holding 491,784,000 shares (long position) of the Company, was owned by Managecorp Limited as trustee of a discretionary trust with Mr. LI Gabriel and Ms. LAM Lai Ming as founders and Managecorp Limited as trustee.
- (3) YM Investment Limited held interests in a total of 491,784,000 shares (long position) in the Company by virtue of its control over the following corporations, which held direct interests in the Company:
 - (3.1) Orchid Asia IV, L.P. held 482,078,000 shares (long position) in the Company. Orchid Asia IV, L.P. was wholly owned by OAIV Holdings, L.P. which was in turn wholly owned by Orchid Asia IV Group Management, Limited. Orchid Asia IV Group Management, Limited was wholly owned by Orchid Asia IV Group, Limited which was in turn wholly owned by Orchid Asia IV Investment, Limited. Orchid Asia IV Investment, Limited was owned as to 92.61% by YM Investment Limited.
 - (3.2) Orchid Asia IV Co-Investment, Limited held 9,706,000 shares (long position) in the Company. Orchid Asia IV Co-Investment Limited was a wholly owned subsidiary of YM Investment Limited.

DISCLOSURE OF INTERESTS *(continued)*

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

Long positions: (continued)

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

Save as disclosed above, as at 30 June 2016, no person, other than the Directors and chief executives of the Company, whose interests are set out in the section "Directors' and Chief Executive's Interests and Short Positions in Shares and Underlying Shares and Debentures" above, had registered an interest or short position in the shares or underlying shares of the Company that was required to be recorded pursuant to Section 336 of the SFO.

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

During the Relevant Period, neither the Company nor any of its subsidiaries purchased, sold or redeemed any of the Company's listed securities, except for the trustee of the Employees' Share Award Scheme adopted by the Board on 4 November 2014 (the "Scheme"). Pursuant to the terms of the rules and trust deed of the Scheme, a total of 506,000 shares of the Company at a total consideration of about HK\$215,000 (equivalent of RMB182,000) were purchased on the Stock Exchange for the Relevant period.

SHARE OPTION SCHEMES

The Company operates a share option scheme (“Share Option Scheme”) and a Pre-IPO share option scheme (“Pre-IPO Share Option Scheme”) for the purpose of providing incentives and rewards to eligible participants for their contribution to, and continuing efforts to promote the interests of, the Group. The Share Option Scheme and the Pre-IPO Share Option Scheme were conditionally approved by the written resolutions of the shareholders passed on 25 November 2011. As at the end of the Relevant Period, no share options had been granted under the Share Option Scheme. A total of 205,552,000 shares under Pre-IPO Share Option Scheme were granted on 9 December 2011 to 20 participants, including 7 Directors, at a consideration of HK\$1 paid by each participant. Details of the both schemes are set out in the published annual report of the Company for the year ended 31 December 2015.

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 1.1.2016	Granted during the period	Exercised during the period	Cancelled during the period	Lapsed during the period	Outstanding at 30.6.2016	Vesting and exercise period
Executive director	Mr. LO Peter	25 November 2011	1.64	15,246,000	-	-	-	-	15,246,000	Note
Executive director	Mr. ZHANG Yongji	25 November 2011	1.64	15,246,000	-	-	-	-	15,246,000	Note
Executive director	Mr. SUN David Lee	25 November 2011	1.64	6,246,000	-	-	-	-	6,246,000	Note
Executive director	Ms. HUANG Xiaoyun	25 November 2011	1.64	10,800,000	-	-	-	-	10,800,000	Note
Independent non-executive director	Mr. KWONG Wilson Wai Sun	25 November 2011	1.64	750,000	-	-	-	-	750,000	Note
Independent non-executive director	Mr. CUI Yi	25 November 2011	1.64	750,000	-	-	-	-	750,000	Note
Independent non-executive director	Mr. YEUNG Chi Wai	25 November 2011	1.64	750,000	-	-	-	-	750,000	Note
Employees in aggregate	-	25 November 2011	1.64	72,984,000	-	-	-	-	72,984,000	Note
Other eligible grantees in aggregate	-	25 November 2011	1.64	3,246,000	-	-	-	-	3,246,000	Note

Note: One-third of the outstanding options as at 1 January 2016 were vested and exercisable on 9 December 2013, 2014 and 2015, respectively. Each option outstanding has a three-year exercise period after vesting of the relevant option.

CORPORATE GOVERNANCE

Corporate governance practices

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

DIRECTORS' SECURITIES TRANSACTIONS

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

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

CHANGE OF DIRECTORS' INFORMATION

Pursuant to Rule 13.51B of the Listing Rules, there is no change in information of Directors since the date of the 2015 annual report of the Company.

AUDIT COMMITTEE

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

REVIEW OF THE INTERIM RESULTS ANNOUNCEMENT BY AUDITORS

The unaudited interim results of the Group for the Relevant Period have been reviewed by the Group's auditors, Ernst & Young, 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.

APPRECIATION

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

By Order of the Board

China Outfitters Holdings Limited

Lo Peter

Chairman

Hong Kong

22 August 2016