



# 富貴鳥股份有限公司 FUGUINIAO CO., LTD.


(A joint stock company incorporated in the People's Republic of China with limited liability)  
Stock Code: 01819

## INTERIM REPORT 2015



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# CORPORATE INFORMATION



## DIRECTORS

### Executive Directors

Mr. Lam Wo Ping *(Chairman)*  
 Mr. Lam Wing Ho  
 Mr. Lam Wo Sze  
 Mr. Lam Kwok Keung  
 Mr. Hong Huihuang

### Independent non-executive Directors

Mr. Wang Zhiqiang  
 Ms. Long Xiaoning  
 Mr. Li Yuzhong  
 Ms. Chan Wah Man, Carman

## SUPERVISORS

Mr. Zhang Haimu *(Chairman)*  
 Mr. Zhou Xinyu  
 Ms. Wang Xinhui

## AUDIT COMMITTEE

Mr. Wang Zhiqiang *(Chairman)*  
 Ms. Long Xiaoning  
 Ms. Chan Wah Man, Carman

## REMUNERATION COMMITTEE

Ms. Chan Wah Man, Carman  
*(Chairlady)*  
 Mr. Li Yuzhong  
 Mr. Lam Wo Ping

## NOMINATION COMMITTEE

Mr. Lam Wo Ping *(Chairman)*  
 Ms. Long Xiaoning  
 Mr. Li Yuzhong

## STRATEGY COMMITTEE

Mr. Lam Wo Ping *(Chairman)*  
 Ms. Long Xiaoning  
 Mr. Li Yuzhong

## COMPANY SECRETARY

Mr. Chan Wai Shing *(HKICPA)*

## AUTHORISED REPRESENTATIVES

Mr. Lam Wo Ping  
 Mr. Chan Wai Shing

## REGISTERED OFFICE

Fuguiniao Industrial Park  
 East Section, Baqi Road  
 Shishi City  
 Fujian Province  
 The PRC

## HEADQUARTERS AND PRINCIPAL PLACE OF BUSINESS IN PRC

Fuguiniao Industrial Park  
 East Section, Baqi Road  
 Shishi City  
 Fujian Province  
 The PRC

## PRINCIPAL PLACE OF BUSINESS IN HONG KONG

Room 1908, 19/F, West Tower  
 Shun Tak Centre  
 168-200 Connaught Road Central  
 Hong Kong

## COMPANY'S WEBSITE

[www.fuguiniao.com](http://www.fuguiniao.com)

## AUDITORS

KPMG  
 Certified Public Accountants

CORPORATE INFORMATION

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LEGAL ADVISOR AS TO  
HONG KONG LAW

Orrick, Herrington & Sutcliffe

LEGAL ADVISOR AS TO  
PRC LAW

Jingtian & Gongcheng

H SHARE REGISTRAR

Computershare Hong Kong Investor  
Services Limited  
Shops 1712-1716  
17th Floor, Hopewell Centre  
183 Queen's Road East  
Wanchai  
Hong Kong

PRINCIPAL BANKERS

Agricultural Bank of China Limited  
Shishi Sub-branch  
No. 618, Jiu'er Road  
Shishi City  
Fujian Province  
The PRC

Bank of China Limited  
Shishi Sub-branch  
Zhongyin Building  
West Section of Baqi Road  
Shishi City  
Fujian Province  
The PRC



## FINANCIAL SUMMARY

	Six months ended 30 June		
	2015 RMB'000	2014 RMB'000	Increase/ (decrease) %
<b>Financial highlights</b>			
Turnover	<b>1,017,083</b>	1,135,735	(10.4%)
Gross profit	<b>411,758</b>	453,059	(9.1%)
Profit before taxation	<b>269,937</b>	300,186	(10.1%)
Earnings before interest, tax, depreciation and amortization (EBITDA)	<b>301,180</b>	317,249	(5.1%)
Profit for the period	<b>202,102</b>	224,957	(10.2%)
Basic earnings per share (RMB)	<b>0.38</b>	0.42	(9.5%)
Total assets	<b>4,113,067</b>	2,815,142	46.1%
Total equity	<b>2,394,900</b>	2,047,054	17.0%
<b>Financial Ratio</b>			
Gross profit margin	<b>40.5%</b>	39.9%	0.6%
EBITDA margin	<b>29.6%</b>	27.9%	1.7%
Net profit margin	<b>19.9%</b>	19.8%	0.1%
	<b>As at 30 June 2015</b>	As at 31 December 2014	As at 30 June 2014
Return on equity <sup>(1)</sup>	<b>8.4%</b>	20.6%	11.0%
Return on total assets <sup>(2)</sup>	<b>4.9%</b>	14.5%	8.0%
Current ratio <sup>(3)</sup>	<b>432.7%</b>	325.0%	350.4%
Gearing ratio <sup>(4)</sup>	<b>53.0%</b>	18.3%	18.1%
Net debt to equity ratio <sup>(5)</sup>	<b>Net cash</b>	Net cash	Net cash
Interest coverage <sup>(6)</sup>	<b>12.4</b>	26.2	32.6

## Notes:

- (1) Return on equity ratio is calculated by dividing profit and total comprehensive income for the period by total equity at the end of the period and multiplying by 100%.
- (2) Return on total assets ratio is calculated by dividing profit and total comprehensive income for the period by total assets at the end of the period and multiplying by 100%.
- (3) Current ratio is calculated by dividing total current assets at the end of the period by total current liabilities at the end of the period and multiplying by 100%.
- (4) Gearing ratio is calculated by dividing the total bank loans and other borrowings at the end of the period by total equity at the end of the period and multiplying by 100%.
- (5) Net debt to equity ratio is calculated by dividing total bank loans and other borrowings net of cash and cash equivalents, pledged bank deposits and fixed deposits held at bank at the end of the period by total equity at the end of the period and multiplying by 100%.
- (6) Interest coverage is calculated by dividing the profit before finance costs and income tax expenses for the period by total finance costs for the period.







# MANAGEMENT DISCUSSION AND ANALYSIS

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## INDUSTRY OVERVIEW

During the first half of 2015, the global economy in general demonstrated slow recovery with obvious fragmentation. At the critical stage of structural adjustment and model transformation, Chinese economy was facing downward pressure owing to the difficulty in offsetting the declining traditional power by new economic drives. On a quarterly basis, the economy performed better during the second quarter than during the first quarter. A slow but steadily improving trend was witnessed.

With respect to consumption, China's total retail sales of consumer goods recorded a nominal year-on-year growth of 10.4%, which was slightly lower than the growth rate for the same period last year. Consumption contributed to 60% of the economic growth during the first half, a rise of 5.7 percentage points over the same period last year. During the first half, urban and rural household income maintained fast growth rates. During the first half of the year, the real growth of household income increased by 7.6% year-on-year while household expenditure also maintained steady growth. The income gap between urban and rural households continued to narrow.

The footwear and apparel industry, on the whole, is currently touching bottom in a stage of upheaval. The profitability of the entire footwear and apparel industry rebounded progressively after touching bottom in the third quarter of 2014. E-commerce is continuously changing the footwear and apparel industry. Currently, while the scale of e-commercial channel sales of famous footwear and apparel enterprises is increasing year by year, its percentage to the total sales revenue is still relatively small. There is still huge room for growth in the future.

During the first half, the Company focused its effort on adjusting and optimizing its existing sales channels and researching and developing high value-added health function footwear products. We have formulated the strategies of the Company on the following basis: (1) targeted at the middle class in China, Fuguiniao will hugely benefit from this round of consumption upgrading; (2) with its high quality and high level of comfort, Fuguiniao footwear matches the consumption idea and demand of the modern age; (3) the health preservation function of Fuguiniao Health Function Footwear series is in line with the demand of the aging population in China; (4) in respect of e-commerce, the Company will enhance the design and added value of its products in order to increase customer loyalty.

## BUSINESS REVIEW

We conduct our business under two main models: a branded product business model, under which we sell products under our own brands, and an OEM/ODM business model, under which we manufacture footwear products for third-party brands. Our products include men's and women's footwear and business casual menswear products sold under our Fuguiniao, FGN and AnyWalk brands, as well as leather accessories sold under our Fuguiniao brand.

### Sales and distribution network

We sell our branded products through our network of distributors and certain direct sales channels, including direct large-scale institutional purchases and online sales. We primarily sell our branded products on a wholesale basis to our distributors, who then sell them to end customers through retail outlets they operate or which are operated by third-party retailers with whom they contract. We also sell our products directly to end customers through proprietary outlets we operate.

The Group had adopted certain strategies in the first half of 2014 to improve our distribution channels. The strategies included increasing the efficiency of the existing stores and closing down those less profitable stores. At the same time, the Group continued to manage our retail price to cope with our brand position.

## MANAGEMENT DISCUSSION AND ANALYSIS

We distribute our branded products through an extensive nationwide retail network consisting of 3,127 retail outlets across 31 provinces, autonomous regions and municipalities in the PRC as at 30 June 2015. The following table sets forth the number of distributors and retail outlets operated by us, our distributors and third-party retailers by region in the PRC as at 31 December 2014 and 30 June 2015:

	As at 30 June 2015		As at 31 December 2014	
	No. of retail outlets <sup>(1)</sup>	No. of distributors <sup>(2)</sup>	No. of retail outlets <sup>(1)</sup>	No. of distributors <sup>(2)</sup>
<b>PRC regions</b>				
Northeastern PRC	388	7	392	7
Northern PRC	673	10	679	12
Eastern PRC	815	19	824	18
Central Southern PRC	639	12	640	12
Northwestern PRC	246	5	251	5
Southwestern PRC	366	7	358	7
<b>Total</b>	<b>3,127</b>	<b>60</b>	3,144	61

Notes:

(1) The number of retail outlets refers to retail outlets operated by us directly and by our distributors and third-party retailers.

(2) The number of distributors are categorised in accordance with their locations.

Among the 3,127 (31 December 2014: 3,144) retail outlets as at 30 June 2015, 1,382 (31 December 2014: 1,357) retail outlets were owned and operated by our distributors, 1,497 (31 December 2014: 1,536) retail outlets were owned and operated by third-party retailers and the remaining 248 (31 December 2014: 251) outlets were operated directly by us. In addition, as at 30 June 2015, of our 3,127 (31 December 2014: 3,144) retail outlets, 2,197 (31 December 2014: 2,197) were department store outlets and the remaining were stand-alone stores.

The following table sets forth the number of retail outlets operated by us, our distributors and third-party retailers by sales channel as of 31 December 2014 and 30 June 2015:

	As at 30 June 2015	As at 31 December 2014
<b>Sale Channels</b>		
Retail outlets operated by our distributors and third-party retailers	2,879	2,893
Proprietary retail outlets	248	251
<b>Total</b>	<b>3,127</b>	3,144

MANAGEMENT DISCUSSION AND ANALYSIS





## MANAGEMENT DISCUSSION AND ANALYSIS

Below is a summary of the changes in the number of retail outlets during the period of six months ended 30 June 2015:

	As at 31 December 2014	Opened	Closed	As at 30 June 2015
Retail outlets operated by our distributors and third-party retailers	2,893	131	145	<b>2,879</b>
Proprietary retail outlets	251	17	20	<b>248</b>
<b>Total</b>	3,144	148	165	<b>3,127</b>

After a period of rapid expansion of our distribution network since 2011 when we began selling our business casual menswear products, we have taken a more strategic and conservative approach in expanding our retail network in the first half of 2015 in line with our business growth and to ensure the success of newly opened retail stores.

### Retail network and inventory management

We require all of the retail outlets operated by our distributors and third-party retailers to exclusively sell our products. In order to provide uniform, quality services across our retail network, we set out in our operations manual uniform standards for, among other things, store decoration and displays, marketing activities and daily operations for our distributors and third-party retailers, and we require our distributors and their third-party retailers to obtain our approval for the final location of each retail outlet.

To further implement our retail policies, we conduct random on-site inspections at individual retail outlets to ensure that the decorations,

displays and retail prices in each retail outlet comply with our requirements. Through these inspections and visits, we seek to ensure that the terms and conditions of the distributorship agreements are being complied with throughout our distribution network. We identify and inform distributors of any non-conforming individual retail outlets and require them to rectify the problems within a certain period of time. We also require our distributors to conduct regular site visits to the retail outlets operated by third-party retailers they have authorised to check whether our operating standards are being followed. We believe this system of uniform operating standards and periodic checks and visits helps us to ensure all retail outlets are efficiently operated and create a pleasant shopping experience to our retail customers. We are not aware of any breach of our retail policies by the retail outlets operated by our distributors and third-party retailers in the first half of 2015.

We also recognise that controlling inventory levels is important to our overall profitability. Sales orders from our trade fairs enable us to manage

our inventory of raw materials and finished products more efficiently. For this reason, we typically have low inventory levels of unused raw materials and unsold or obsolete finished products at the end of the year. For the six months ended 30 June 2015, our average inventory turnover days were 81.4 days (2014: 64.5 days). The increase of inventory turnover days was mainly attributable to having more raw material needed to meet the demand of our future operation.

To facilitate our distributors in managing their inventory levels, we launched an in-house developed online trading platform, whereby our distributors may, exchange with each other certain of our products in their inventories that may be considered out-of-season or less popular within their respective authorised regions of operation. Prior to launching this trading platform, we conducted a thorough review of the system to minimize any potential legal risks, including, among others, intellectual property infringement and personal data security. We have launched and operated this online trading platform since December 2013.

## MANAGEMENT DISCUSSION AND ANALYSIS



### Product design and development

We have strong in-house research, design and development capabilities that have been critical to our success. For each of our brands, Fuguiniao, FGN and AnyWalk, we have a separate research, design and development team. We further subdivide our Fuguiniao design and development team into Fuguiniao men's footwear and women's footwear teams. We also have a menswear design and development team responsible for the overall product planning and design for our business casual menswear products. Each of our footwear design teams consists of one design director, one to two chief designers, three to ten senior designers, assistant designers and other staff and is responsible for creating designs for a wide variety of products for their particular market segment based on domestic and international fashion trends, distinctive features of the brand and market demand. As at 30 June 2015, our research, design and development team comprised 177 members, including three design directors, three chief designers and several senior designers, who possessed an approximate average of 15 years of design experience in the footwear industry. In addition, our accessories design team and our menswear design team each comprises one chief designer.

We conduct detailed product research involving the collection of market and fashion information to create a wide variety of products that are consistent with the contemporary international fashion trends and cater to the preferences of our target consumer groups in China. Members of our design and development team regularly attend domestic and overseas trade and fashion shows to obtain latest trends and market developments in terms of design, material usage and color schemes. To better understand consumer preferences, our distributors and their third-party retailers periodically provide us customer feedback information.

Based on our detailed research on fashion trends, domestic consumer preferences and certain other relevant information, our footwear designers and brand design directors typically determine applicable seasonal themes with respect to the styles, colors, materials and other features of footwear products to be developed. After the seasonal themes have been determined, our design team commences the design of the collections by preparing drawings and sketches of a particular style and shoe last. The first batch of shoe plates would be created based on these drawings and sketches. Plates that passed our preliminary selection process are matched with suitable colors and made into prototypes. Our technical team then analyses and approves the technologies used in making the prototypes before they are submitted to the prototype selection meetings. In a prototype selection meeting, we consider a number of factors, including adherence to our

initial design concepts and suitability for mass production before the prototypes can be displayed at our trade fairs. We would also invite several representatives from our distributors to participate in our design processes to preview and evaluate the molds, styles and colors of our new footwear products. We are thus able to draw upon their market sensitivity and local knowledge in making products that cater to the varying tastes of our end customers.

With respect to design and development of our menswear products, we maintain a design and development process for our jacket products and outsource the design and development of our other menswear products, such as pants and sweaters. We also design and make our own ODM product prototypes in accordance with our ODM customers' requirements.

We believe by leveraging our in-depth knowledge of the market and fashion trends and the preferences of our target consumer groups in China, we are able to transform our designs into commercially viable, high-quality and widely accepted products. We believe our strong research and development capabilities enable us to maintain our brand image, expand our product portfolio and strengthen our competitiveness in the PRC footwear and menswear industries. As at 30 June 2015, we had the capacity to introduce over 1,500 SKUs (31 December 2014: 1,500 SKUs) into the market for our branded footwear products and approximately 300 SKUs (31 December 2014: 300 SKUs) for our business casual menswear products for each season.

## MANAGEMENT DISCUSSION AND ANALYSIS

**Production**

We have three production facilities strategically located in Shishi City, Fujian Province, China, which have easy access to sea ports, airports and expressways. As at 30 June 2015, we had a combined annual production capacity of approximately 5.8 million (31 December 2014: 5.8 million) pairs of footwear (calculated on the basis that our production facilities operate for eight hours per day and 300 days per year).

**Marketing and promotion**

During the first half of 2015, we continued to engage in, among others, advertising campaigns, fashion shows and department store promotional events to increase our brand awareness. Our national advertising

primarily focuses on promoting our brand image and generating consumer attention through national television advertising and advertisements in fashion magazines and newspapers.

We continue to hold fashion shows in our trade fairs in the first half of 2015 through which we display advertising videos to promote our brands and to present our newly-released footwear and menswear collections. In addition, we organize product theme promotions in department stores where a majority of our retail outlets are located. We set display boards in our retail outlets showcasing newly-arrived products to allow end customers to be familiarized with our products and styles.

**Trade fairs**

During the first half of 2015, we hold national trade fairs in April and June for the autumn and winter collections of our Fuguiniao and FGN branded footwear and Fuguiniao branded leather accessories, and in April for the autumn/winter collections of our AnyWalk branded footwear, and in January and April for the autumn and winter collections of our Fuguiniao branded menswear, such trade fairs are attended by our existing or potential distributors, as well as for certain third-party retailers and retail store managers. Our distributors can place orders with us directly and third-party retailers and retail store manager can place orders through our distributors.

**FINANCIAL REVIEW****Revenue**

Our revenue for the six months ended 30 June 2015 amounted to RMB1,017.1 million, representing an decrease of 10.4% as compared to RMB1,135.7 million for the six months ended 30 June 2014. This decrease was primarily a result of the decrease in the sales of our footwear and menwear products.

The table below sets forth our revenue by product type for the periods indicated:

	Six months ended 30 June			
	2015		2014	
	RMB'000	%	RMB'000	%
<b>Product Type</b>				
Footwear	<b>850,866</b>	<b>83.7</b>	902,862	79.5
Men's footwear	<b>337,683</b>	<b>33.2</b>	328,296	28.9
Women's footwear	<b>513,183</b>	<b>50.5</b>	574,566	50.6
Menswear	<b>156,853</b>	<b>15.4</b>	225,093	19.8
Leather accessories	<b>9,364</b>	<b>0.9</b>	7,780	0.7
<b>Total</b>	<b>1,017,083</b>	<b>100.0</b>	1,135,735	100.0



## MANAGEMENT DISCUSSION AND ANALYSIS

Revenue from the sales of our footwear products decreased by RMB52.0 million, or 5.8%, from RMB902.9 million for the six months ended 30 June 2014 to RMB850.9 million for the six months ended 30 June 2015. This decrease mainly consisted of decrease of RMB61.4 million in the revenue from the sales of women's footwear, and was primarily due to (i) a decrease in the revenue from our export sales; and (ii) a decrease in average sales prices of our footwear products in response to the market competition in the PRC. For the six months ended 30 June 2015, the sales volume of our footwear products was 4.23 million pairs, an increase of 1.9% from 4.15 million pairs for the six months ended 30 June 2014. The average sales price also decreased from RMB217.4 per pair to RMB201.15 per pair. This was

primarily a result of the decrease in suggested price ranges we provided to our distributors of our footwear products in order to enhance our market penetration.

Revenue from the sales of our menswear products decreased by RMB68.2 million, or 30.3%, from RMB225.1 million for the six months ended 30 June 2014 to RMB156.9 million for the six months ended 30 June 2015. This decrease was primarily due to the decrease in revenue from distributors. The sales volume of our menswear products was 1.2 million units for the six months ended 30 June 2015, an decrease of 27.6% from 1.6 million units for the six months ended 30 June 2014. The average sales price also decreased from RMB140.95 per unit to RMB135.57 per unit. This

was primarily a result of decrease in suggested price ranges we provided to our distributors of our menswear products.

Revenue from the sales of leather accessories increased by RMB1.6 million, or 20.3%, from RMB7.8 million for the six months ended 30 June 2014 to RMB9.4 million for the six months ended 30 June 2015, primarily as a result of higher demand from our distributors. The sales volume of leather accessories was approximately 59,000 units for the six months ended 30 June 2015, an increase of 25.5% from approximately 47,000 units for the six months ended 30 June 2014. The average sales price decreased from RMB165.53 per unit to RMB158.71 per unit. This was primarily a result of the diversification of our product mix.

The following table sets forth the number of units sold and the average sales price for each of our product type for the periods indicated:

Product Type	Six months ended 30 June					
	2015			2014		
	Revenue RMB'000	Units Sold '000	Avg. Sales Price RMB	Revenue RMB'000	Units Sold '000	Avg. Sales Price RMB
Footwear	850,866	4,230	201.15	902,862	4,153	217.40
Menswear	156,853	1,157	135.57	225,093	1,597	140.95
Leather accessories	9,364	59	158.7	7,780	47	165.53
<b>Total</b>	<b>1,017,083</b>			<b>1,135,735</b>		

## MANAGEMENT DISCUSSION AND ANALYSIS



In addition, revenue from the sales of our Fuguiniao branded products decreased by RMB37.6 million, or 4.2%, from RMB893.9 million for the six months ended 30 June 2014 to RMB856.3 million for the six months ended 30 June 2015. This decrease was primarily due to an decrease in sales of our menswear products.

Revenue from the sales of our FGN products decreased by RMB1.6

million, or 4.69%, from RMB33.5 million for the six months ended 30 June 2014 to RMB31.9 million for the six months ended 30 June 2015, primarily due to a decrease in sales volume. Revenue from the sales of our AnyWalk products decreased from RMB28.1 million for the six months ended 30 June 2014 to RMB24.1 million for the six months ended 30 June 2015, primarily due to a decrease in sales volume.

Revenue from the sales of our OEM/ODM products decreased by RMB75.4 million, or 41.8%, from RMB180.3 million for the six months ended 30 June 2014 to RMB104.9 million for the six months ended 30 June 2015, mainly because we received less orders from OEM/ODM customers from overseas, mainly Russia.

The table below sets forth a breakdown of our revenue by brands and our OEM/ODM sales for the periods indicated:

	Six months ended 30 June			
	2015		2014	
	RMB'000	%	RMB'000	%
<b>Brands</b>				
Fuguiniao	856,250	84.2	893,863	78.7
FGN	31,897	3.1	33,465	2.9
AnyWalk	24,057	2.4	28,092	2.5
OEM/ODM	104,879	10.3	180,315	15.9
<b>Total</b>	<b>1,017,083</b>	<b>100.0</b>	1,135,735	100.0

As a result of an decrease in the order from our distributors, revenue from our distributors decreased by RMB32.2 million, or 4.2%, from RMB766.1 million for the six months ended 30 June 2014 to RMB733.9 million for the six months ended 30 June 2015. Revenue from our proprietary outlets increased by RMB1.5 million, or 1.2%, from RMB127.6 million for the six months ended 30 June 2014 to RMB129.0 million for the six months ended 30 June 2015. As the decrease in demand of our products to large institutional customers and through online platforms, revenue from large-scale institutional purchases and online sales decreased from RMB18.1 million and RMB43.7 million, respectively, for the six months ended 30 June 2014, to RMB6.8 million and RMB42.4 million, respectively, for the six months ended 30 June 2015.

## MANAGEMENT DISCUSSION AND ANALYSIS

The following table sets forth the breakdown of our revenue from the sales of our branded products and OEM/ODM products by sales channel during the periods indicated:

	Six months ended 30 June			
	2015		2014	
Channel	RMB'000	%	RMB'000	%
Distributors	733,927	72.2	766,102	67.5
Proprietary outlets	129,031	12.7	127,552	11.2
Large-scale institutional purchases	6,834	0.7	18,096	1.6
Online sales	42,412	4.2	43,670	3.8
OEM/ODM customers	104,879	10.3	180,315	15.9
<b>Total</b>	<b>1,017,083</b>	<b>100.0</b>	1,135,735	100.0

**Cost of sales and gross profit margin**

For the six months ended 30 June 2015, cost of sales amounted to RMB605.3 million, a decrease of RMB77.4 million, or 11.3%, from RMB682.7 million for the six months ended 30 June 2014. The decrease in our total cost of sales was mainly due to the decrease in the comprehensive influence of the sales volume and the sales price of our products.

	Six months ended 30 June			
	2015		2014	
	RMB'000	%	RMB'000	%
Raw materials	235,205	74.0	296,191	76.6
Direct labor	47,910	15.1	54,175	14.0
Production overhead	34,737	10.9	36,491	9.4
Cost of sales for in-house production	317,852	100.0	386,857	100.0
Cost of sales for in-house production	317,852	52.5	386,857	56.7
Subcontracting charges	287,473	47.5	295,819	43.3
Total cost of sales	605,325	100.0	682,676	100.0

Gross profit margin was 40.5% for the six months ended 30 June 2015 compared to 39.9% for the six months ended 30 June 2014. This increase was primarily because we had an effective cost control policy and a higher percentage of our sales from our proprietary outlets, which had relatively higher gross profit margin.



## MANAGEMENT DISCUSSION AND ANALYSIS



### Other revenue and other net loss

Other revenue and other net loss primarily consisted of interest income from bank deposits, government grants, offset by net foreign exchange loss. The overall increase from RMB11.9 million for the six months ended 30 June 2014 to RMB13.4 million for the six months ended 30 June 2015 was mainly due to the increase in interest income.

### Selling and distribution expenses

Our selling and distribution expenses decreased by RMB11.4 million, or 12.5%, from RMB91.0 million for the six months ended 30 June 2014 to RMB79.6 million for the six months ended 30 June 2015, accounting for 7.8% of our total revenue. The decrease was primarily due to a decrease in advertising and promotion expenses.

### Administrative and other operating expenses

Our administrative and other operating expenses decreased by RMB12.5 million, or 19.4%, from RMB64.4 million for the six months ended 30 June 2014 to RMB51.9 million for the six months ended 30 June 2015, accounting for 5.1% of our total revenue. The decrease was mainly due to the decrease in the professional fee after listed on the Main Board of The Stock Exchange of Hong Kong Limited (the "Stock Exchange") in December 2013.

### Finance costs

Our finance costs increased by RMB14.3 million, or 150.5%, from RMB9.5 million for the six months ended 30 June 2014 to RMB23.8 million for the six months ended 30 June 2015. The increase was primarily due to an increase in interest on corporate bonds as a result of an issuance of RMB800 million corporate bond in the second quarter of 2015.

### Income tax

Our income tax decreased by RMB7.4 million, or 9.8%, from RMB75.2 million for the six months ended 30 June 2014 to RMB67.8 million for the six months ended 30 June 2015. Our income tax expenses decreased primarily because of a decrease in our profit before taxation. Our effective income tax rate increased slightly from 25.06% for the six months ended 30 June 2014 to 25.13% for the six months ended 30 June 2015.

### Profit for the period

Profit for the six months ended 30 June 2015 decreased by 10.2%, or RMB22.9 million, from RMB225.1 million for the six months ended 30 June 2014 to RMB201.8 million.

### Liquidity, financial resources and capital structure

As at 30 June 2015, we had net current asset of RMB3,078.7 million, which increased from RMB2,070.6 million as at 31 December 2014. This increase was primarily due to increase in net cash inflow from the issuance of the corporate bond in the second quarter of 2015.

As at 30 June 2015, the Group had total bank loans and corporate bonds of approximately RMB1,268.3 million (as at 31 December 2014: approximately RMB400.9 million). The gearing ratio (i.e. total bank loans and corporate bonds/total equity) was approximately 53.0% (as at 31 December 2014: approximately 18.3%).

Our liquidity position remains strong in the first half of 2015 and we have sufficient cash and available banking facilities to meet our working capital requirements and commitments. This strong cash position also allows us to expand our retail network in accordance with our expansion plan and increase business development opportunities across China.

### WORKING CAPITAL MANAGEMENT

Average inventory turnover days were 81.4 days for the six months ended 30 June 2015, as compared to 64.5 days for the year ended 31 December 2014. The increase of average inventory turnover days in the first half of 2015 was mainly attributable to having more raw material needed to meet the demand of our future operation.

Average turnover days of our trade and bills receivables were 134.1 days for the six months ended 30 June 2015, as compared to 103.6 days for the year ended 31 December 2014. The increase of average turnover days of trade and bills receivables for the first half of 2015 was mainly attributable to the extended credit period and the increased revolving credit limit.

## MANAGEMENT DISCUSSION AND ANALYSIS



Our Group sets a maximum revolving credit limit to each domestic distributor. In determining the amount of the credit limit and credit period, we take into account the factors including the credit history, prior year's purchases, estimated purchases for the current period, funding required by that distributor to expand the retail network and market conditions. We generally evaluate the revolving credit limit of each domestic distributor annually upon renewal of the relevant distribution agreement.

With the existing cash resources and available banking facilities, our Group has sufficient financial resources to meet the working capital requirement. Therefore, we raised the cap on the revolving credit limit to certain distributors that have a good track record with our Group to allow them to expend the retail network. At the end of the reporting period, we have reviewed the sales records of these distributors and agreed the settlement plan of the past due balances with them, and we believe that the balances are fully recoverable as at the end of the reporting date.

Average turnover days of our trade and bills payables were 99.8 days for the six months ended 30 June 2015, as compared to 70.8 days for the year ended 31 December 2014. The increase in average turnover days of trade and bills payables was mainly attributable to issuing more bank acceptance bills to settle the amounts with the suppliers.

We regularly and actively monitor our capital structure to ensure sufficient working capital, we need to operate our business and to maintain a balanced capital structure between providing steady returns to our shareholders and benefits to our other stakeholders and having adequate level of borrowing and security.

### LIQUIDITY AND FINANCIAL RESOURCES

Our net cash outflow from operating activities for the six months ended 30 June 2015 amounted to RMB303.6 million compared to a net cash inflow from operating activities of RMB317.1 million for six months ended 30 June 2014. The decrease in net cash inflow from operating activities was mainly due to the increase in trade and bills receivables.

In the first half of 2015, we did not enter into any interest rate swaps arrangements to hedge against interest rate risks.

In April 2015, the Group issued a long-term corporate bond with a maturity period of 5 years, amounting to RMB800 million. The long-term corporate bond is interest bearing at 6.3%. The issuance of the corporate bond can improve the liquidity position and debt financing structure.

### FOREIGN CURRENCY RISKS

Although our Group mainly operates in the PRC with most of the transactions settled in RMB and its reporting currency is RMB, part of its receivables and borrowings and cash balances that are denominated

in Hong Kong dollars, United States dollars and Euros. Our Company also pays dividends in Hong Kong dollars. To ensure that net exposure to currency risk is kept to an acceptable level, our Group generally buys and sells foreign currencies at spot rate, or enter into forward contracts and foreign currency swap contracts that hedge against currency risk where necessary to address short-term imbalances. Any substantial exchange rate fluctuation of foreign currencies against RMB may have a financial impact on our Group.

### PLEDGE OF ASSETS

As at 30 June 2015, deposits with certain banks amounting to RMB36.5 million and RMB302.3 million were pledged as securities for bills payable and foreign currency swap contracts compared to the amount of RMB32.8 million and RMBNil as at 31 December 2014. The pledged bank deposits will be released upon the settlement of the relevant bills payable and foreign currency swap contracts.

### COMMITMENTS AND CONTINGENCIES

As at 30 June 2015, we had a total operating lease commitment of RMB16.8 million. In addition, we had notional amounts of foreign currency forward contracts and foreign currency swap contracts denominated in United States dollars, Euros and Canadian dollars of RMB230.7 million, RMB7.2 million and RMB174.5 million respectively. As at 30 June 2015, we had no material contingent liabilities.

## MANAGEMENT DISCUSSION AND ANALYSIS



## EMPLOYMENT AND EMOLUMENTS

As at 30 June 2015, our Group employed a total of 4,879 fulltime employees, which included management and administrative, finance and quality control staff, manufacture and production technicians, product design, research and development personnel and sales and marketing staff. For the six months ended 30 June 2015, our Group's total employee remuneration was RMB106.6 million, representing 10.5% of the Group's total revenue.

We place great emphasis on recruiting and training quality personnel by providing introduction training programs to our new employees and on-going internal training to our existing employees to enhance their industrial, technical and product knowledge, their work ethic as well as their knowledge of industry quality standards and work safety standards. Furthermore, we encourage our employees to take advanced courses and obtain professional certifications. We also organise and pay for external trainings for certain employees whom we believe are particularly dedicated to our Group.

## PROSPECTS

Looking ahead, we expect that the footwear and apparel industry, in general, will continue to fluctuate at the bottom in the second half. In accordance with the strategic plans of the Board, the Company will focus on pursuing the following strategies based on market conditions in the second half of the year:

- **Branding:** Enhance the promotional efforts of "Fuguiniao" and "FGN" brands targeting at the middle class;
- **Marketing:** Implement precision marketing by making use of new media platforms, such as WeChat, to increase the conversion ratio;
- **Offline channels:** Continue to refine traditional channels to enhance same-store operational efficiency;
- **E-commerce channels:** Expand cooperation with famous e-commerce platforms and O2O infrastructure;
- **Institutional purchase channels:** Expand cooperation in new sectors, such as school uniforms;
- **Product structure:** Step up efforts in the research and development and design of mid- to high-end products;
- **New projects:** Mass introduction of health function footwear products equipped with relevant functions to the market based on the results of the clinical study conducted by Wuhan Union Hospital under Huazhong University of Science & Technology;
- **Supply chain integration:** Establish a task force on supply chain integration in order to fully optimize and integrate the supply chain, improve the response speed of the supply chain, enhance operational efficiency and lower operating costs.

With respect to branding and promotion, the Company will keep increasing its brand awareness through TV advertisements and outdoor media and implement precision marketing by making use of new media platforms, such as WeChat. In June 2015, the Company was granted the title of the "King of Genuine Leather Shoes in China" (中國真皮領先鞋王) by the China Leather Association (中國皮革協會) for its supreme product design and high quality genuine leather. As usual, the Company will persist in designing and producing high quality genuine leather shoes targeting at the affluent middle class in China.



## MANAGEMENT DISCUSSION AND ANALYSIS



In terms of sales channels, the Company will continue to refine the network of its offline outlets and further improve the image of its outlets and the shopping experiences of consumers. Besides, the Company will expand cooperation with famous e-commerce brands to increase the market share of e-commerce channels. As for institutional purchase, the Company will continue to cooperate with major enterprises in launching tailor-made work uniforms and footwear. On this basis, the Company will gradually expand the cooperation with secondary and primary schools at large in promoting the sales of its new product categories, including school uniforms.

In terms of product structure, the Company will focus on designing, researching and developing mid-to high-end products. Due to the penetration of e-commerce in the footwear and apparel industry in recent years, competition is intense in the mid- to low-end product market, which is flooded with products with poor design and low added value. To prevent price competition, the Company will enhance the consumption experiences of customers by improving the design and added value of its products. In the second half of the year, on top of the existing "New Classical Style", "New Business Style" and "New Comfortable Style", the Company will launch three different thematic product series, namely "Simplicity", "Technology Power" and "Leisure Times".

In terms of new projects, the Company will cooperate with Huazhong University of Science & Technology in the research and development of new products under the strategic cooperation agreement previously entered into between both parties. In the second half, Wuhan Union Hospital under Huazhong University of Science & Technology will publish clinical study reports on the health function footwear of the Company to verify the functions of Fuguiniao Health Function Footwear in preventing diabetes, cervical vertebra illnesses and cold feet disease and facilitating the microcirculation of human bodies. The Company will research and develop more health function footwear equipped with the relevant functions and introduce these products to the market on a mass scale based on the findings.

To enhance internal operational efficiency, the Company will fully optimize and integrate the vertical supply chain in the second half of the year. To this end, the Company has established a task force on supply chain integration to integrate various sectors of the Company, including production, sales, logistics, finance, marketing and human resources, with the aims of improving the response speed of the supply chain, enhancing internal operational efficiency and lowering corporate operating costs.

In face of future uncertainties in the macro-economy, we expected that the footwear and apparel industry may continue to fluctuate at the bottom for a certain period of time. However, we believe that, by virtue of the decades of brand history of Fuguiniao and its continuous innovation in product research and development, the Company will be able to capture a larger market share during the current transformation and upgrading of the footwear and apparel industry.

# REVIEW REPORT OF THE AUDITOR



## **Review report to the board of directors of Fuguiniao Co., Ltd.**

*(Incorporated in the People's Republic of China with joint stock limited liability)*

### **INTRODUCTION**

We have reviewed the interim financial report set out on pages 21 to 38 which comprises the consolidated statement of financial position of Fuguiniao Co., Ltd. ("the Company") as of 30 June 2015 and the related consolidated statement of profit or loss and other comprehensive income and statement of changes in equity and condensed consolidated cash flow statement 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 an interim financial report to be in compliance with the relevant provisions thereof and International Accounting Standard 34, Interim financial reporting, issued by the International Accounting Standards Board. The directors are responsible for the preparation and presentation of the interim financial report in accordance with International Accounting Standard 34.

Our responsibility is to form a conclusion, based on our review, on the interim financial report and to report our conclusion solely to you, as a body, in accordance with our agreed terms of engagement, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report.

### **SCOPE OF REVIEW**

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

### **CONCLUSION**

Based on our review, nothing has come to our attention that causes us to believe that the interim financial report as at 30 June 2015 is not prepared, in all material respects, in accordance with International Accounting Standard 34, Interim financial reporting.

### **KPMG**

*Certified Public Accountants*  
8th Floor, Prince's Building  
10 Chater Road  
Central, Hong Kong

26 August 2015

# CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the six months ended 30 June 2015 – unaudited (Expressed in Renminbi)

	Note	Six months ended 30 June	
		2015 RMB'000	2014 RMB'000
<b>Revenue</b>	3	<b>1,017,083</b>	1,135,735
Cost of sales		<b>(605,325)</b>	(682,676)
<b>Gross profit</b>		<b>411,758</b>	453,059
Other revenue	4	<b>17,705</b>	20,389
Other net loss	4	<b>(4,260)</b>	(8,437)
Selling and distribution expenses		<b>(79,592)</b>	(90,963)
Administrative and other operating expenses		<b>(51,909)</b>	(64,366)
<b>Profit from operations</b>		<b>293,702</b>	309,682
Finance costs	5(a)	<b>(23,765)</b>	(9,496)
<b>Profit before taxation</b>	5	<b>269,937</b>	300,186
Income tax expense	6	<b>(67,835)</b>	(75,229)
<b>Profit for the period</b>		<b>202,102</b>	224,957
<b>Other comprehensive income for the period</b>			
Exchange differences on translation of financial statements of operations outside the Mainland China		<b>(268)</b>	147
<b>Total comprehensive income for the period</b>		<b>201,834</b>	225,104
<b>Basic earnings per share (RMB)</b>	7	<b>0.38</b>	0.42

The notes on pages 25 to 38 form part of this interim financial report. Details of dividends payable to equity shareholders of the Company are set out in note 17.

# CONSOLIDATED STATEMENT OF FINANCIAL POSITION

At 30 June 2015 – unaudited (Expressed in Renminbi)

	Note	At 30 June 2015 RMB'000	At 31 December 2014 RMB'000
<b>Non-current assets</b>			
Property, plant and equipment	8	89,647	101,011
Interests in leasehold land held for own use under operating leases		8,742	8,847
Deferred tax assets		8,907	12,627
Available-for-sale investments	9	1,800	–
		<b>109,096</b>	122,485
<b>Current assets</b>			
Inventories	10	289,248	250,586
Trade and other receivables	11	1,144,227	730,069
Other financial assets	12	200,000	200,000
Pledged bank deposits	13	338,795	32,806
Fixed deposits at banks with maturity over three months	14	1,667,070	1,375,869
Cash and cash equivalents	14	364,631	401,634
		<b>4,003,971</b>	2,990,964
<b>Current liabilities</b>			
Bank loans		475,468	400,939
Trade and other payables	15	402,458	437,971
Current tax payable		47,395	81,473
		<b>925,321</b>	920,383
<b>Net current assets</b>		<b>3,078,650</b>	2,070,581
<b>Total assets less current liabilities</b>		<b>3,187,746</b>	2,193,066
<b>Non-current liabilities</b>			
Corporate bonds payable	16	792,846	–
<b>Net assets</b>		<b>2,394,900</b>	2,193,066
<b>Capital and reserves</b>			
Share capital	17	534,909	534,909
Reserves		1,859,991	1,658,157
<b>Total equity</b>		<b>2,394,900</b>	2,193,066

The notes on pages 25 to 38 form part of this interim financial report.



# CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the six months ended 30 June 2015 – unaudited (Expressed in Renminbi)

	Note	Share capital RMB'000	Capital reserve RMB'000	Statutory reserve RMB'000	Exchange reserve RMB'000	Retained profits RMB'000	Total RMB'000
<b>Balance at 1 January 2014</b>		533,340	904,836	89,486	(615)	412,650	1,939,697
<b>Changes in equity for the six months ended 30 June 2014:</b>							
Profit for the period		-	-	-	-	224,957	224,957
Other comprehensive income		-	-	-	147	-	147
Total comprehensive income		-	-	-	147	224,957	225,104
Issue of H shares upon the exercise of over-allotment option	17(c)	1,569	9,062	-	-	-	10,631
Dividends declared	17(a)	-	-	-	-	(128,378)	(128,378)
<b>Balance at 30 June 2014 and 1 July 2014</b>		534,909	913,898	89,486	(468)	509,229	2,047,054
<b>Changes in equity for the six months ended 31 December 2014:</b>							
Profit for the period		-	-	-	-	226,265	226,265
Other comprehensive income		-	-	-	(17)	-	(17)
Total comprehensive income		-	-	-	(17)	226,265	226,248
Appropriation to statutory reserve		-	-	45,303	-	(45,303)	-
Dividends declared	17(a)	-	-	-	-	(80,236)	(80,236)
<b>Balance at 31 December 2014 and 1 January 2015</b>		534,909	913,898	134,789	(485)	609,955	2,193,066
<b>Changes in equity for the six months ended 30 June 2015:</b>							
Profit for the period		-	-	-	-	202,102	202,102
Other comprehensive income		-	-	-	(268)	-	(268)
Total comprehensive income		-	-	-	(268)	202,102	201,834
<b>Balance at 30 June 2015</b>		534,909	913,898	134,789	(753)	812,057	2,394,900

The notes on pages 25 to 38 form part of this interim financial report.

# CONDENSED CONSOLIDATED CASH FLOW STATEMENT

For the six months ended 30 June 2015 – unaudited (Expressed in Renminbi)

	Note	Six months ended 30 June	
		2015 RMB'000	2014 RMB'000
<b>Operating activities</b>			
Cash (used in)/generated from operations		(205,431)	443,414
Income tax paid		(98,193)	(126,314)
<b>Net cash (used in)/generated from operating activities</b>		<b>(303,624)</b>	317,100
<b>Investing activities</b>			
Payment for purchase of property, plant and equipment		(3,626)	(2,224)
Payment for purchase of available-for-sale investment		(1,800)	–
Placement of time deposits with original maturity over three months		(661,495)	(961,528)
Placement of deposits pledged as security for foreign currency swap contracts		(305,157)	–
Proceeds from disposal of property, plant and equipment		7,222	–
Maturity of time deposits with original maturity over three months		369,136	150,000
Interest received from banks		9,628	4,343
<b>Net cash used in investing activities</b>		<b>(586,092)</b>	(809,409)
<b>Financing activities</b>			
Proceeds from bank loans		352,354	155,684
Repayment of bank loans		(277,302)	(202,513)
Proceeds from issue of H shares upon the exercise of over-allotment option		–	10,631
Proceeds from issue of corporate bonds	16	792,600	–
Decrease in pledged deposits for foreign currency loans		–	7,500
Interest paid		(14,620)	(9,548)
<b>Net cash generated from/(used in) financing activities</b>		<b>853,032</b>	(38,246)
<b>Net decrease in cash and cash equivalents</b>		<b>(36,684)</b>	(530,555)
<b>Cash and cash equivalents at 1 January</b>	14	<b>401,634</b>	843,353
<b>Effect of foreign exchange rate changes</b>		<b>(319)</b>	(359)
<b>Cash and cash equivalents at 30 June</b>	14	<b>364,631</b>	312,439

The notes on pages 25 to 38 form part of this interim financial report.

# NOTES TO THE UNAUDITED INTERIM FINANCIAL REPORT

(Expressed in Renminbi unless otherwise indicated)

## 1 BASIS OF PREPARATION

This interim financial report has been prepared in accordance with the applicable disclosure provisions of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited, including compliance with International Accounting Standard (“IAS”) 34, *Interim financial reporting*, issued by the International Accounting Standard Board (“IASB”). It was authorised for issue on 26 August 2015.

The interim financial report has been prepared in accordance with the same accounting policies adopted in the 2014 annual financial statements, except for the accounting policy changes that are expected to be reflected in the 2015 annual financial statements. Details of any changes in accounting policies are set out in note 2.

The preparation of an interim financial report in conformity with IAS 34 requires management to make judgements, estimates and assumptions that affect the application of policies and reported amounts of assets and liabilities, income and expenses on a year to date basis. Actual results may differ from these estimates.

This interim financial report contains condensed consolidated financial statements and selected explanatory notes. The notes include an explanation of events and transactions that are significant to an understanding of the changes in financial position and performance of the Group since the 2014 annual financial statements. The condensed consolidated interim financial statements and notes thereon do not include all of the information required for full set of financial statements prepared in accordance with International Financial Reporting Standards (“IFRSs”).

The interim financial report is unaudited, but has been reviewed by KPMG 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 (“HKICPA”). KPMG’s independence review report to the Board of Directors is included on page 20.

## 2 CHANGES IN ACCOUNTING POLICIES

The IASB has issued the following amendments to IFRSs and one new Interpretation that are first effective for the current accounting period of the Group and the Company:

- *Annual Improvements to IFRSs 2010-2012 Cycle*
- *Annual Improvements to IFRSs 2011-2013 Cycle*

None of these developments have had a material effect on how the Group’s results and financial position for the current or prior periods have been prepared or presented. The Group has not applied any new standard or interpretation that is not yet effective for the current accounting period.

## NOTES TO THE UNAUDITED INTERIM FINANCIAL REPORT

(Expressed in Renminbi unless otherwise indicated)

## 3 REVENUE AND SEGMENT REPORTING

## (a) Revenue

The principal activities of the Group are manufacturing and trading of shoes and menswear in the PRC. Revenue represents the sales value of goods sold less returns, discounts and value added tax ("VAT").

## (b) Segment reporting

The Group manages its businesses by divisions, which are organised by business lines (products and services). In a manner consistent with the way in which information is reported internally to the Group's most senior executive management for the purposes of resource allocation and performance assessment, the Group has presented the following two reportable segments. No operating segments have been aggregated to form the following reportable segments.

- Design, manufacture and trading of shoes and accessories ("Shoes")
- Design and trading of menswear ("Menswear")

## (i) Segment results

In presenting the information on the basis of business segments, segment revenue and results are based on the revenue and gross profit of Shoes and Menswear.

Information regarding the Group's reportable segments as provided to the Group's most senior executive management for the purposes of resource allocation and assessment of segment performance for the period is set out below:

	Shoes		Menswear		Total	
	Six months ended 30 June		Six months ended 30 June		Six months ended 30 June	
	2015 RMB'000	2014 RMB'000	2015 RMB'000	2014 RMB'000	2015 RMB'000	2014 RMB'000
Reportable segment revenue	860,666	910,642	156,417	225,093	1,017,083	1,135,735
Cost of sales	(512,766)	(549,732)	(92,559)	(132,944)	(605,325)	(682,676)
<b>Reportable segment gross profit</b>	<b>347,900</b>	360,910	<b>63,858</b>	92,149	<b>411,758</b>	453,059

The Group does not allocate any specific assets or expenditures for property, plant and equipment to the operating segments as the Group's most senior executive management does not use the information to measure the performance of the reportable segments. The performance of the reportable segments is assessed by the Group's most senior executive management base on a measure of the gross profit.



## NOTES TO THE UNAUDITED INTERIM FINANCIAL REPORT

(Expressed in Renminbi unless otherwise indicated)

## 3 REVENUE AND SEGMENT REPORTING (Continued)

## (b) Segment reporting (Continued)

## (ii) Geographic information

The following table sets out information about the geographical location of the Group's revenue from external customers. The geographical location of customers is based on the location at which the goods are delivered.

	Six months ended 30 June	
	2015 RMB'000	2014 RMB'000
The PRC	924,205	956,987
Italy	38,362	39,635
Canada	15,817	21,050
Russia	15,093	47,290
Austria	11,808	33,742
Others	11,798	37,031
	<b>1,017,083</b>	1,135,735

## 4 OTHER REVENUE AND OTHER NET LOSS

	Six months ended 30 June	
	2015 RMB'000	2014 RMB'000
<b>Other revenue</b>		
Interest income	16,423	10,872
Government grants	1,282	9,403
Others	-	114
	<b>17,705</b>	20,389

	Six months ended 30 June	
	2015 RMB'000	2014 RMB'000
<b>Other net loss</b>		
Net foreign exchange loss	(12,981)	(6,490)
Gain on disposals of property, plant and equipment	1,332	-
Unrealised gain/(loss) on forward foreign exchange contracts	579	(1,979)
Unrealised gain on foreign currency swap contracts	6,810	-
Others	-	32
	<b>(4,260)</b>	(8,437)

## NOTES TO THE UNAUDITED INTERIM FINANCIAL REPORT

(Expressed in Renminbi unless otherwise indicated)

## 5 PROFIT BEFORE TAXATION

Profit before taxation is arrived at after charging:

		Six months ended 30 June	
		2015 RMB'000	2014 RMB'000
(a)	Finance costs:		
	Interest on bank loans	13,991	9,496
	Interest on corporate bonds (Note 16)	9,774	-
		<b>23,765</b>	9,496
(b)	Other items:		
	Staff costs	106,616	116,582
	Depreciation and amortisation	7,478	7,567
	Provision for impairment of trade receivables	-	4,680
	Operating lease charges in respect of properties	10,764	10,755
	Research and development costs (note (i))	18,488	20,766
	Cost of inventories (note (ii))	605,325	682,676

Notes:

- (i) Research and development costs for the period ended 30 June 2015 include staff costs of employees in the design, research and development department of RMB5,367,000 (six months ended 30 June 2014: RMB7,316,000), which are also included in the staff costs as disclosed in note 5(b).
- (ii) Cost of inventories for the period ended 30 June 2015 includes RMB64,736,000 (six months ended 30 June 2014: RMB76,164,000) relating to staff costs, depreciation and amortisation and operating lease charges in respect of properties, which amounts are also included in the respective total amounts disclosed separately above or in notes 5(b) for each of these types of expenses.

## NOTES TO THE UNAUDITED INTERIM FINANCIAL REPORT

(Expressed in Renminbi unless otherwise indicated)

## 6 INCOME TAX

**(a)** Income tax in the consolidated statement of profit or loss and other comprehensive income represents:

	Six months ended 30 June	
	2015 RMB'000	2014 RMB'000
Current tax – PRC Corporate Income Tax	64,115	76,013
Current tax – Hong Kong Profits Tax	-	818
Deferred taxation	3,720	(1,602)
	<b>67,835</b>	75,229

(i) The Company and its subsidiaries in mainland China are subject to the PRC Corporate Income Tax at the statutory rate of 25% (six months ended 30 June 2014: 25%).

(ii) During the six months ended 30 June 2015, no assessable profit was generated by Hong Kong subsidiaries of the Group. The provision for Hong Kong Profits Tax for the six months ended 30 June 2014 was calculated at the statutory rate of 16.5%.

**(b) Deferred tax liabilities not recognised**

The Group is subject to PRC Corporate Income Tax on dividends receivable from its Hong Kong subsidiaries due to differential income tax rate. Deferred tax liability of RMB942,000 (31 December 2014: RMB945,000) relating to such undistributed profit of the Company's Hong Kong subsidiaries were not recognised as the Company controls the dividend policy of the subsidiary. Based on the assessment made by management as at the end of the reporting period, it was determined that the undistributed profits of the Company's Hong Kong subsidiary would not be distributed in the foreseeable future.

## 7 BASIC EARNINGS PER SHARE

The calculation of basic earnings per share for the six months ended 30 June 2015 is based on the profit for the period of RMB202,102,000 (six months ended 30 June 2014: RMB224,957,000) and the weighted average number of 534,909,000 shares (six months ended 30 June 2014: 534,788,000 shares) in issue during the period.

There were no dilutive potential ordinary shares for the six months ended 30 June 2015 and 2014, therefore, diluted earnings per share are the same as the basic earnings per share.

## NOTES TO THE UNAUDITED INTERIM FINANCIAL REPORT

(Expressed in Renminbi unless otherwise indicated)

## 8 PROPERTY, PLANT AND EQUIPMENT AND LEASEHOLD LAND

During the six months ended 30 June 2015, the Group acquired items of machinery with total cost of RMB1,899,000 (six months ended 30 June 2014: RMB1,305,000).

During the six months ended 30 June 2015, the Group disposed a building in Hong Kong (six months ended 30 June 2014: Nil). The carrying amount of the building amounted to RMB5,890,000 at the date of disposal and a gain of RMB1,332,000 was resulted.

## 9 AVAILABLE-FOR-SALE INVESTMENTS

On 3 April 2015, the Company acquired 18% equity interest in Fuyin Financial Information Service (Beijing) Co., Ltd. at a consideration of RMB1,800,000. The unlisted equity investment is stated at cost less impairment because the directors of the Company are of the opinion that their fair value cannot be measured reliably.

## 10 INVENTORIES

	<b>At 30 June 2015 RMB'000</b>	At 31 December 2014 RMB'000
Raw materials	<b>165,382</b>	109,075
Work in progress	<b>42,658</b>	37,244
Finished goods	<b>81,208</b>	104,267
	<b>289,248</b>	250,586

## NOTES TO THE UNAUDITED INTERIM FINANCIAL REPORT

(Expressed in Renminbi unless otherwise indicated)

## 11 TRADE AND OTHER RECEIVABLES

As of the end of the reporting period, the breakdown and the ageing analysis of trade debtors and bills receivable (which are included in trade and other receivables), based on the invoice date and net of allowance for doubtful debts, is as follows:

	At 30 June 2015 RMB'000	At 31 December 2014 RMB'000
Within 3 months	556,353	491,022
More than 3 months but within 6 months	256,778	136,495
More than 6 months but within 1 year	251,989	42,550
More than 1 year	9,044	5,037
Trade and bills receivables, net of allowance for doubtful debts	1,074,164	675,104
Amounts due from related parties (Note 20)	7,667	-
Prepayments to suppliers	23,130	27,026
VAT deductible	7,398	9,633
Interest receivable	17,398	10,603
Other deposits and prepayments	7,081	7,153
Derivative financial instruments (Note 18)	7,389	550
	<b>1,144,227</b>	730,069

All of the current trade and other receivables are expected to be recovered or recognised as expense within one year, except for the Group's deposits which are expected to be recovered after more than one year. Such deposits amounted to RMB1,367,000 as at 30 June 2015 (31 December 2014: RMB1,067,000).

As at 30 June 2015, trade receivables with carrying amount of RMB28,559,000 (31 December 2014: 54,930,000) were pledged as security for certain bank loans.



## NOTES TO THE UNAUDITED INTERIM FINANCIAL REPORT

(Expressed in Renminbi unless otherwise indicated)

**11 TRADE AND OTHER RECEIVABLES (Continued)**

As at 30 June 2015, the Group had discounted or endorsed bank acceptance bills with recourse of RMB80,240,000 (31 December 2014: RMB306,617,000). These bank acceptance bills matured within three or six months from the date of issue. As the Group only accepts bank acceptance bills from major banks in the PRC, management considered that the credit risk of these bills is minimal. Accordingly, the respective bills receivable are derecognised upon discounting or endorsement of the bills.

Trade receivables are normally due within 120 days (31 December 2014: 90-120 days) from the date of billing. The Group sets a maximum revolving credit limit to each domestic distributor. In determining the amount of the credit limit and credit period, the Group takes into account the factors including the credit history, prior year's purchases, estimated purchases for the current period, funding required by that distributor to expand the retail network and market conditions. The Group generally evaluates the revolving credit limit of each domestic distributor annually upon renewal of the relevant distribution agreement.

Impairment losses in respect of trade and bills receivables are recorded using an allowance account unless the Group is satisfied that the recovery of the amount is remote, in which case the impairment loss is written off against trade and bills receivables directly. As at 30 June 2015, the Group's trade receivables from two distributors of RMB15,590,000 (31 December 2014: RMB15,590,000) were individually determined to be impaired, and provision for the amount was fully provided as these two distributors were under financial difficulties.

The ageing analysis of trade and bills receivables that are neither individually nor collectively considered to be impaired is set out as follows:

	<b>At 30 June 2015 RMB'000</b>	At 31 December 2014 RMB'000
Neither past due nor impaired	<b>675,559</b>	575,396
Less than 3 months past due	<b>232,339</b>	86,762
More than 3 months past due	<b>166,266</b>	12,946
	<b>1,074,164</b>	675,104

Receivables that were neither past due nor impaired related to a wide range of customers for whom there was no recent history of default.

Receivables that were past due but not impaired related to a number of independent customers that have a good track record with the Group. Based on a detailed assessment on the receivables past due, management believes that no impairment allowance is necessary in respect of these balances as management has reviewed the sales records of these customers and agreed the settlement plan of the past due balances with them. Therefore, management believes the balances are fully recoverable at the end of the reporting date.

## NOTES TO THE UNAUDITED INTERIM FINANCIAL REPORT

(Expressed in Renminbi unless otherwise indicated)

## 12 OTHER FINANCIAL ASSETS

Other financial assets represented investments in wealth management products with fixed returns and would be recoverable within one year when placed. The wealth management products have been fully recovered on 10 July 2015 and 28 July 2015 respectively upon their maturity.

## 13 PLEDGED BANK DEPOSITS

At the end of the reporting period, pledged bank deposits of the Group are pledged against:

	At 30 June 2015 RMB'000	At 31 December 2014 RMB'000
Bills payable (Note 15)	36,460	32,806
Foreign currency swap contracts	302,335	-
	<b>338,795</b>	32,806

## 14 CASH AND CASH EQUIVALENTS AND FIXED DEPOSITS AT BANKS

	At 30 June 2015 RMB'000	At 31 December 2014 RMB'000
Cash and cash equivalents in the consolidated statement of financial position and the condensed consolidated statement of cash flow	364,631	401,634
Deposits with banks with more than three months to maturity when placed	1,667,070	1,375,869
	<b>2,031,701</b>	1,777,503

## NOTES TO THE UNAUDITED INTERIM FINANCIAL REPORT

(Expressed in Renminbi unless otherwise indicated)

## 15 TRADE AND OTHER PAYABLES

As of the end of the reporting period, the ageing analysis of trade creditors and bills payables (which are included in trade and other payables), based on the invoice date, is as follows:

	<b>At 30 June 2015 RMB'000</b>	At 31 December 2014 RMB'000
Within 3 months	<b>253,027</b>	325,706
More than 3 months but within 6 months	<b>57,705</b>	17,289
More than 6 months but within 1 year	<b>5,119</b>	1,435
More than 1 year	<b>1,237</b>	408
Trade and bills payables	<b>317,088</b>	344,838
Amounts due to related party (Note 20)	<b>48</b>	–
Receipts in advance	<b>9,787</b>	34,353
VAT and other taxes payable	<b>26,957</b>	15,500
Interest payable		
– corporate bond (Note 16)	<b>9,528</b>	–
– bank loans	<b>1,167</b>	1,796
Other payables and accruals	<b>37,883</b>	41,484
	<b>402,458</b>	437,971

As at 30 June 2015, bills payable were secured by pledged bank deposits (see note 13).

## 16 CORPORATE BONDS PAYABLE

	<b>At 30 June 2015 RMB'000</b>
At issue date	<b>792,600</b>
Add: Transaction costs amortised	<b>246</b>
At the end of the period	<b>792,846</b>

On 22 April 2015, the Group issued a corporate bonds with a maturity period of five years, amounting to RMB800,000,000. The net proceeds of the corporate bonds at the issue date was RMB792,600,000, after deducting transaction costs of RMB7,400,000.

## NOTES TO THE UNAUDITED INTERIM FINANCIAL REPORT

(Expressed in Renminbi unless otherwise indicated)

**16 CORPORATE BONDS PAYABLE (Continued)**

The corporate bonds are interest bearing at 6.30% per annum with interest payable in arrears on 22 April 2016, 2017 and 2018. In accordance with the terms of the corporate bonds, the Group has the option to adjust upward the interest rate of the bond by maximum of 100 basis points on 21 April 2018, and the corporate bonds are, at the option of the bondholders, redeemable at its par value on the same date. If the corporate bonds are not redeemed on 22 April 2018, the corporate bonds will be repayable on 22 April 2020.

The effective interest rate of the corporate bond is 6.52% per annum. As at 30 June 2015, interest expense amounted to RMB9,528,000 (31 December 2014: Nil) was included in interest payable for corporate bond (see note 15).

**17 CAPITAL, RESERVES AND DIVIDENDS****(a) Cash dividends****(i) Dividends payable to equity shareholders of the Company attributable to the interim period**

	2015 RMB'000	2014 RMB'000
Interim dividend declared and paid after the interim period of RMB0.35 per share (2014: RMB0.15 per share)	187,218	80,236

The interim dividend has not been recognised as a liability at the end of the reporting period.

**(ii) Dividends payable to equity shareholders attributable to the previous financial year, approved during the interim period**

	Six months ended 30 June	
	2015 RMB'000	2014 RMB'000
Final dividend in respect of the previous financial year, approved during the following interim period, of Nil per share (2014: RMB0.24 per share)	-	128,378

**(b) Bonus issue**

On 26 August 2015, the Board of the Company proposed the issuance of the bonus shares to the shareholders by way of conversion of capital reserve of the Company on the basis of 1.5 bonus shares for every one existing issued ordinary share. The bonus issue has not been accounted for at the end of the reporting date.

## NOTES TO THE UNAUDITED INTERIM FINANCIAL REPORT

(Expressed in Renminbi unless otherwise indicated)

## 17 CAPITAL, RESERVES AND DIVIDENDS (Continued)

## (c) Share capital

## (i) Ordinary shares

	At 30 June 2015		At 31 December 2014	
	No. of Shares '000	RMB'000	No. of Shares '000	RMB'000
<b>Ordinary shares, issued and fully paid:</b>				
Domestic shares of RMB1 each	48,800	48,800	48,800	48,800
H shares of RMB1 each	486,109	486,109	486,109	486,109
At 30 June/31 December	<b>534,909</b>	<b>534,909</b>	534,909	534,909

## (ii) Movements of the Company's share capital

	2015 RMB'000	2014 RMB'000
At 1 January	534,909	533,340
Issue of H shares	-	1,569
As at 30 June/31 December	<b>534,909</b>	534,909

## 18 FAIR VALUE MEASUREMENT OF FINANCIAL INSTRUMENTS

The carrying amounts of the Group's financial instruments are carried at amounts not materially different from their fair values as at 31 December 2014 and 30 June 2015 because of the short maturities of these instruments.

The fair value of foreign currency forward contracts and foreign currency swap is categorised as level 2 of the fair value hierarchy as defined in IFRS13, *Fair value measurement*, which was determined by discounting the contractual forward price and deducting the current spot rate. The discount rate used is derived from the relevant government yield curve as at the end of the reporting period.



## NOTES TO THE UNAUDITED INTERIM FINANCIAL REPORT

(Expressed in Renminbi unless otherwise indicated)

## 19 OPERATING LEASE COMMITMENT

As at 30 June 2015 and 31 December 2014, the total future minimum lease payments under non-cancellable operating leases are payable as follows:

	<b>At 30 June 2015 RMB'000</b>	At 31 December 2014 RMB'000
Within 1 year	<b>12,235</b>	20,738
After 1 year but within 5 years	<b>4,520</b>	6,335
	<b>16,755</b>	27,073

## 20 MATERIAL RELATED PARTY TRANSACTIONS

## (a) Transaction with related party

	<b>Six months ended 30 June</b>	
	<b>2015 RMB'000</b>	2014 RMB'000
Rental expenses in relation to property, plant and equipment payable to Fujian Shishi Fuguiniao Group Co., Ltd.	<b>7,548</b>	7,548

## (b) Balance with related parties

The Group had the following balances with related parties:

## (i) Amounts due from related parties

	<b>At 30 June 2015 RMB'000</b>	At 31 December 2014 RMB'000
Withholding tax paid on behalf of		
– Fuguiniao Group Limited (Note 11)	<b>6,841</b>	–
– Wo Hing (China) Trading Limited (Note 11)	<b>826</b>	–
	<b>7,667</b>	–

## NOTES TO THE UNAUDITED INTERIM FINANCIAL REPORT

(Expressed in Renminbi unless otherwise indicated)

## 20 MATERIAL RELATED PARTY TRANSACTIONS (Continued)

## (b) Balance with related parties (Continued)

## (ii) Amounts due to related parties

	At 30 June 2015 RMB'000	At 31 December 2014 RMB'000
Rental payable to Fujian Shishi Fuguiniao Group Co., Ltd (Note 15)	48	-

## (c) Key management personnel remuneration

	Six months ended 30 June	
	2015 RMB'000	2014 RMB'000
Salaries and other emoluments	2,307	2,100
Contributions to retirement benefit scheme	15	5
	2,322	2,105

## CORPORATE GOVERNANCE AND OTHER INFORMATION

### COMPLIANCE WITH CORPORATE GOVERNANCE CODE

The board (the “**Board**”) of directors (the “**Directors**”) of the Company is committed to upholding a high standard of corporate governance and business ethics in the firm belief that they are essential for enhancing investors’ confidence and maximizing shareholders’ returns. The Board reviews its corporate governance practices from time to time in order to meet the rising expectations of stakeholders of the Company, comply with increasingly stringent regulatory requirements and fulfill its commitment to excellence in corporate governance.

After reviewing the Company’s corporate governance practices and the relevant regulations of the Corporate Governance Code and Corporate Governance Report (the “**CG Code**”) as set out in Appendix 14 to the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the “**Listing Rules**”), the Board is satisfied that the Company complied with the CG Code provisions for the six months ended 30 June 2015.

### COMPLIANCE WITH CODE FOR SECURITIES TRANSACTIONS

The Company has adopted the Model Code for Securities Transactions by Directors of Listed Issuers (the “**Model Code**”) set out in Appendix 10 to the Listing Rules as the code of conduct regarding securities transactions of the Company by the Directors and supervisors of the Company.

Upon making specific enquiries to all of the Directors and supervisors of the Company, all Directors and supervisors of the Company confirmed that throughout the six months ended 30 June 2015, each of the Directors and supervisors of the Company had fully complied with the required standards set out in the Model Code.

### REVIEW OF INTERIM FINANCIAL STATEMENTS

Disclosure of financial information in this report complies with Appendix 16 of the Listing Rules. The audit committee of the Board has held meetings to discuss the internal controls and financial reporting matters of the Company, including the review of the interim results and the unaudited condensed consolidated interim financial statements for the six months ended 30 June 2015.

The external auditor has reviewed the interim financial information for the six months ended 30 June 2015 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.

### SHARE CAPITAL

As at 30 June 2015, the total share capital of the Company was RMB534,909,200, divided into 534,909,200 shares of RMB1.00 each.

Details of movements in the share capital of the Company during the year are set out in Note 17 to the financial statements.

### PURCHASE, SALE OR REDEMPTION OF LISTED SECURITIES OF THE COMPANY

Neither the Company nor any of its subsidiaries purchased, sold or redeemed any of the Company’s listed securities during the six months ended 30 June 2015.

### DIRECTORS’, SUPERVISORS’ AND CHIEF EXECUTIVES’ INTERESTS IN SECURITIES

As at 30 June 2015, the interests or short positions of the Directors, supervisors and the chief executive in the shares, underlying shares and debentures of the Company or any of its associated corporations, within the meaning of Part XV of the Securities and Futures Ordinance (the “**SFO**”) which will have to be notified to the Company and The Stock Exchange of Hong Kong Limited (the “**Stock Exchange**”) pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which he is taken or deemed to have under such provisions of the SFO) or which will be required, pursuant to section 352 of the SFO, to be recorded in the

## CORPORATE GOVERNANCE AND OTHER INFORMATION

register referred to therein or which will be required to be notified to the Company and the Stock Exchange pursuant to the Model Code, will be as follows:

**(i) Interests of the Directors in the shares of our Company**

Name of Director	Class of shares	Number of shares	Nature of interest	Percentage in the relevant class of share capital <sup>(1)</sup>	Percentage in the total issued share capital <sup>(1)</sup>
Mr. Lam Wo Ping <sup>(2)(3)</sup>	H shares	351,299,200	Interest in a controlled corporation	72.27%	65.67%
Mr. Lam Wo Sze <sup>(2)</sup>	H shares	331,299,200	Interest in a controlled corporation	68.15%	61.94%
Mr. Lam Kwok Keung <sup>(2)</sup>	H shares	331,299,200	Interest in a controlled corporation	68.15%	61.94%
Mr. Lam Wing Ho <sup>(2)</sup>	H shares	331,299,200	Interest in a controlled corporation	68.15%	61.94%

(1) The calculation is based on the total number of 534,909,200 ordinary shares of the Company in issue as at 30 June 2015, which was comprised of 48,800,000 domestic shares and 486,109,200 H shares.

(2) Fuguiniao Group Limited (富貴鳥集團有限公司) (the "Fuguiniao Holdco") is owned as to 32.5% by Mr. Lam Wo Ping, 22.5% by Mr. Lam Wo Sze, 22.5% by Mr. Lam Kwok Keung and 22.5% by Mr. Lam Wing Ho. Mr. Lam Wo Ping and Mr. Lam Wo Sze are brothers, and are also cousins with each of Mr. Lam Kwok Keung and Mr. Lam Wing Ho. Each of Mr. Lam Wo Ping, Mr. Lam Wo Sze, Mr. Lam Kwok Keung and Mr. Lam Wing Ho is deemed to be interested in the H shares of the Company held by Fuguiniao Holdco for the purpose of the SFO.

(3) Wo Hing (China) Trading Limited (和興(中國)貿易有限公司) (the "Wo Hing Trading") is wholly-owned and controlled by Mr. Lam Wo Ping and Mr. Lam Wo Ping is therefore deemed to be interested in all the 20,000,000 H shares of the Company beneficially owned by Wo Hing Trading.

**(ii) Interests of the Directors in the shares of Fuguiniao Holdco (being a holding company of our Company)**

Name	Number of shares	Nature of interest	Percentage in issued share capital
Mr. Lam Wo Ping	3,250	Beneficial owner	32.50%
Mr. Lam Wo Sze	2,250	Beneficial owner	22.50%
Mr. Lam Kwok Keung	2,250	Beneficial owner	22.50%
Mr. Lam Wing Ho	2,250	Beneficial owner	22.50%

Saved as disclosed above, as at 30 June 2015, none of the Directors, supervisors and the chief executive of the Company and their respective associates had any interests and short positions in the shares, underlying shares and debentures of the Company or any of its associated corporations (within the meaning of Part XV of the SFO) as recorded in the register of the Company required to be kept under Section 352 of the SFO or as otherwise notified to the Company and the Stock Exchange pursuant to the Model Code.

## CORPORATE GOVERNANCE AND OTHER INFORMATION

## INTERESTS AND SHORT POSITIONS OF SUBSTANTIAL SHAREHOLDERS

As at 30 June 2015, the persons or corporations who had an interest or short position in the shares and underlying shares of the Company which were required to be disclosed to the Company under the provisions of Division 2 and 3 of Part XV of the SFO, or which were recorded in the register required to be kept under section 336 of the SFO were as follows:

Shareholder	Class of shares	Number of shares	Nature of interest	Percentage in the relevant class of share capital <sup>(1)</sup>	Percentage in the total issued share capital <sup>(1)</sup>
Fuguiniao Holdco <sup>(2)</sup>	H shares	331,299,200	Beneficial owner	68.15%	61.94%
Mr. Lam Wo Ping <sup>(2)(3)</sup>	H shares	351,299,200	Interest in a controlled corporation	72.27%	65.67%
Mr. Lam Wo Sze <sup>(2)</sup>	H shares	331,299,200	Interest in a controlled corporation	68.15%	61.94%
Mr. Lam Kwok Keung <sup>(2)</sup>	H shares	331,299,200	Interest in a controlled corporation	68.15%	61.94%
Mr. Lam Wing Ho <sup>(2)</sup>	H shares	331,299,200	Interest in a controlled corporation	68.15%	61.94%

(1) The calculation is based on the total number of 534,909,200 ordinary shares of the Company in issue as at 30 June 2015, which was comprised of 48,800,000 domestic shares and 486,109,200 H shares.

(2) Fuguiniao Holdco is owned as to 32.5% by Mr. Lam Wo Ping, 22.5% by Mr. Lam Wo Sze, 22.5% by Mr. Lam Kwok Keung and 22.5% by Mr. Lam Wing Ho. Mr. Lam Wo Ping and Mr. Lam Wo Sze are brothers, and are also cousins with each of Mr. Lam Kwok Keung and Mr. Lam Wing Ho. Each of Mr. Lam Wo Ping, Mr. Lam Wo Sze, Mr. Lam Kwok Keung and Mr. Lam Wing Ho is deemed to be interested in the Shares held by Fuguiniao Holdco for the purpose of SFO.

(3) Wo Hing Trading is wholly-owned and controlled by Mr. Lam Wo Ping and Mr. Lam Wo Ping is therefore deemed to be interested in all the Shares in which Wo Hing Trading is interested.

Save as disclosed above, as at 30 June 2015, the Directors were not aware of any other person or corporation having an interest or short position in shares and underlying shares of the Company which were required to be disclosed to the Company under the provisions of Division 2 and 3 of Part XV of the SFO, or which were recorded in the register required to be kept under section 336 of the SFO.

## INTERIM PROFIT DISTRIBUTION PLAN FOR THE YEAR 2015

The Board has proposed the Company's interim profit distribution plan for the year 2015: (i) to distribute cash dividend of RMB0.35 per share (before tax); and (ii) to issue bonus shares by way of conversion of capital reserve of the Company on the basis of 1.5 bonus shares for every one (1) existing share, subject to approvals by the shareholders of the Company at the extraordinary general meeting of the Company, class meeting of domestic shareholders and class meeting of H shareholders to be held on 19 October 2015. The aforesaid issue of bonus shares is also subject to the Stock Exchange granting approval for listing of the bonus shares.

## CHANGE OF DIRECTORS, SUPERVISORS AND MEMBERS OF THE BOARD COMMITTEE

Mr. Zhai Gang retired as a non-executive Director and ceased to be a member of the Strategy Committee with effect from 29 June 2015. Ms. Long Xiaoning was appointed a member of the Strategy Committee with effect from 26 August 2015.

Save as disclosed above, there is no other information in relation to change of Directors, supervisors or members of the Board committees, or as otherwise required to be disclosed pursuant to Rule 13.51B(1) of the Listing Rules.



## GLOSSARY

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In this interim report, unless the context otherwise requires, the following terms shall have the following meanings:

“Board”	The Board of Directors of the Company
“CG Code”	Corporate Governance Code as set out in Appendix 14 to the Listing Rules
“Company” or “our Company”	Fuguiniao Co., Ltd. (富貴鳥股份有限公司)
“Director(s)”	The director(s) of the Company
“Fuguiniao Holdco”	Fuguiniao Group Limited (富貴鳥集團有限公司), a limited liability company incorporated on 9 April 2001 under the laws of Hong Kong and owned as to 32.5% by Mr. Lam Wo Ping, 22.5% by Mr. Lam Wo Sze, 22.5% by Mr. Lam Kwok Keung and 22.5% by Mr. Lam Wing Ho. It is one of the controlling shareholders of the Group
“GDP”	Gross domestic product
“Group” or “our Group”	The Company and its subsidiaries
“HK\$”	Hong Kong dollars, the lawful currency of Hong Kong
“Hong Kong”	The Hong Kong Special Administrative Region of the PRC
“Listing Rules”	The Rules Governing the Listing of Securities on the Stock Exchange of Hong Kong Limited
“Model Code”	Model code for securities transactions by directors of listed issuers
“PRC”	The People’s Republic of China excluding, for the purpose of this interim report, Hong Kong, Macau and Taiwan
“RMB”	Renminbi, the lawful currency of the PRC
“SFO”	Securities and Futures Ordinance, Chapter 571 of the Laws of Hong Kong
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“Wo Hing Trading”	Wo Hing (China) Trading Limited (和興(中國)貿易有限公司), a limited liability company incorporated under the laws of Hong Kong on 16 November 2010 and wholly-owned by Mr. Lam Wo Ping. It is one of the controlling shareholders of the Group