中國服飾控股有限公司
CHINA OUTFITTERS HOLDINGS LIMITED
(Incorporated in the Cayman Islands with limited liability)
(Stock Code: 1146)

INTERIM RESULTS ANNOUNCEMENT FOR THE SIX MONTHS ENDED 30 JUNE 2012

Financial Highlights

	Six months ended 30 June		
	2012	2011	
	RMB million	*RMB million*	*Changes*
REVENUE	**660.9**	542.1	+ 21.9%
Gross profit	**506.0**	409.2	+ 23.7%
Gross profit margin	***76.6%***	*75.5%*	*+ 1.1 p.p.t.*
Operating profit	**282.1**	243.4	+ 15.9%
Operating profit margin	***42.7%***	*44.9%*	*–2.2 p.p.t.*
Profit attributable to owners of the parent	**220.2**	178.2	+ 23.6%
Earnings per share (RMB cents)	**6.4**	6.0	+ 6.7%

The board of directors of China Outfitters Holdings Limited (the "Company") are pleased to announce the unaudited consolidated results of the Company and its subsidiaries (collectively, the "Group") for the six months ended 30 June 2012 (the "Reporting Period"), together with the comparative figures for the corresponding period in 2011, as follows:

CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME
For the six months ended 30 June 2012

		Six months ended 30 June	
		2012	2011
	Notes	***RMB'000***	*RMB'000*
		(Unaudited)	(Audited)
REVENUE	4	**660,944**	542,081
Cost of sales		**(154,968)**	(132,923)
Gross profit		**505,976**	409,158
Other income and gains, net	4	**22,412**	18,076
Selling and distribution costs		**(208,818)**	(156,406)
Administrative expenses		**(34,514)**	(13,265)
Other expenses		**(2,956)**	(14,176)
Operating profit		**282,100**	243,387
Finance income	5	**23,057**	4,948
PROFIT BEFORE TAX	6	**305,157**	248,335
Income tax expense	7	**(84,910)**	(69,254)
PROFIT FOR THE PERIOD		**220,247**	179,081
OTHER COMPREHENSIVE INCOME			
Exchange differences on translation of foreign operations		**1,723**	797
TOTAL COMPREHENSIVE INCOME FOR THE PERIOD, NET OF TAX		**221,970**	179,878
Profit attributable to:			
Owners of the parent		**220,235**	178,189
Non-controlling interests		**12**	892
		220,247	179,081
Total comprehensive income attributable to:			
Owners of the parent		**221,958**	178,986
Non-controlling interests		**12**	892
		221,970	179,878
EARNINGS PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE PARENT			
Basic and diluted	9	**RMB6.4 cents**	RMB6.0 cents

Details of the dividend for the period are disclosed in note 8.

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION
As at 30 June 2012

	Notes	30 June 2012 RMB'000 (Unaudited)	31 December 2011 RMB'000 (Audited)
NON-CURRENT ASSETS			
Property, plant and equipment		**82,600**	81,762
Prepaid land lease payments		**42,413**	42,913
Investment properties		**5,471**	5,538
Goodwill		**70,697**	70,697
Other intangible assets		**67,981**	67,729
Deferred tax assets		**37,385**	31,244
Total non-current assets		**306,547**	299,883
CURRENT ASSETS			
Inventories	10	**350,838**	336,454
Trade and bills receivables	11	**95,416**	105,095
Prepayments, deposits and other receivables		**63,434**	48,859
Investment deposits		**757,294**	245,000
Pledged bank deposits		**–**	3,952
Cash and cash equivalents		**526,377**	1,035,079
Total current assets		**1,793,359**	1,774,439
CURRENT LIABILITIES			
Trade and bills payables	12	**29,673**	26,426
Deposits received, other payables and accruals		**168,426**	197,216
Tax payable		**157,707**	175,861
Total current liabilities		**355,806**	399,503
NET CURRENT ASSETS		**1,437,553**	1,374,936
TOTAL ASSETS LESS CURRENT LIABILITIES		**1,744,100**	1,674,819
NON-CURRENT LIABILITIES			
Deferred tax liabilities		**16,317**	14,209
Net assets		**1,727,783**	1,660,610
EQUITY			
Equity attributable to owners of the parent			
Issued capital	13	**281,204**	279,120
Reserves		**1,442,015**	1,172,825
Proposed final dividend	8	**–**	204,113
		1,723,219	1,656,058
Non-controlling interests		**4,564**	4,552
Total equity		**1,727,783**	1,660,610

NOTES TO INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

30 June 2012

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 Walker House, 87 Mary Street, George Town, Grand Cayman KY1-9005, Cayman Islands. The address of its principal place of business is Room 610, East Ocean Centre, 98 Granville Road, Tsim Sha Tsui East, Kowloon, Hong Kong.

The principal activity of the Company is investment holding. The Group is principally engaged in the business of design, manufacturing, marketing and sale of apparel products and accessories in the People's Republic of China (the "PRC", or Mainland China which excludes, for the purpose of this announcement, 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 period.

In the opinion of the directors of the Company (the "Directors"), as of the date of this announcement, 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 ("BVI").

2. BASIS OF PREPARATION AND ACCOUNTING POLICIES

Basis of preparation

These interim condensed consolidated financial statements of the Group for the Reporting 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 "Stock Exchange") (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. They do not include all information and disclosures required in the Group's annual consolidated financial statements, and should be read in conjunction with the Group's annual consolidated financial statements for the year ended 31 December 2011.

Significant accounting policies

Except as described below, the accounting policies adopted in the preparation of these interim condensed consolidated financial statements are the same as those adopted in the Group's annual consolidated financial statements for the year ended 31 December 2011. The Group has adopted the following revised International Financial Reporting Standards ("IFRSs") for the first time for the current period's condensed consolidated financial statements.

IFRS 1 Amendments	Amendments to IFRS 1 *First-time Adoption of International Financial Reporting Standards – Severe Hyperinflation and Removal of Fixed Dates for First-time Adopters*
IFRS 7 Amendments	Amendments to IFRS 7 *Financial Instruments: Disclosures – Transfers of Financial Assets*
IAS 12 Amendments	Amendments to IAS 12 *Income Taxes – Deferred Tax: Recovery of Underlying Assets*

The adoption of these revised IFRSs has had no significant financial effect on these interim condensed consolidated financial statements.

3. **OPERATING SEGMENT INFORMATION**

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

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

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

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

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

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

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

	Six months ended 30 June	
	2012	2011
	RMB'000	*RMB'000*
	(Unaudited)	(Audited)
Revenue		
Sale of goods	**660,944**	542,081
Other income and gains, net		
Government subsidies*	**19,845**	16,455
Arrangement fees#	**1,377**	1,140
Rental income, net	**131**	208
Sale of consumables, net	**932**	200
Others	**127**	73
	22,412	18,076

* 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	
	2012	2011
	RMB'000	*RMB'000*
	(Unaudited)	(Audited)
Interest income on bank deposits	**9,140**	4,948
Interest income from investment deposits	**13,917**	–
	23,057	4,948

6. PROFIT BEFORE TAX

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

	Six months ended 30 June	
	2012	2011
	RMB'000	*RMB'000*
	(Unaudited)	(Audited)
Cost of inventories sold	**123,397**	116,191
Depreciation		
Property, plant and equipment	**4,204**	4,031
Investment properties	**67**	67
	4,271	4,098
Amortisation of prepaid land lease payments*	**477**	324
Amortisation of other intangible assets*	**124**	124
Impairment of trade receivables	**–**	(68)
Write-down of inventories to net realisable value#	**31,571**	16,732
Foreign exchange losses, net**	**2,956**	–

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

The write-down of inventories to net realisable value is included in "Cost of sales" in the condensed consolidated statement of comprehensive income.

** The items are included in "Other expenses" in the condensed consolidated statement of comprehensive income.

7. INCOME TAX EXPENSE

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

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

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

In accordance with the relevant PRC income tax rules and regulations, the Group's subsidiaries incorporated/registered in the PRC are subject to Corporate Income Tax ("CIT") at a statutory rate of 25% on their respective taxable income for the periods ended 30 June 2012 and 2011.

	Six months ended 30 June	
	2012	2011
	RMB'000	*RMB'000*
	(Unaudited)	(Audited)
Current – PRC		
Charge for the period	**88,943**	69,611
Deferred	**(4,033)**	(357)
Total tax charge for the period	**84,910**	69,254

8. DIVIDEND

The board of directors has resolved not to declare any interim dividend in respect of the Reporting Period (six months ended 30 June 2011: Nil).

The final dividend for the year ended 31 December 2011 on ordinary shares of RMB204,113,000 was approved by shareholders of the Company at the annual general meeting on 14 May 2012 and was subsequently paid in June 2012.

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 Reporting Period attributable to ordinary equity holders of the parent of RMB220,235,000 (six months ended 30 June 2011: RMB178,189,000) and the weighted average number of ordinary shares of 3,451,586,071 (six months ended 30 June 2011: 2,946,750,000) in issue during the Reporting Period.

The number of ordinary shares used to calculate the basic earnings per share for the six months ended 30 June 2011 was based on the 2,946,750,000 ordinary shares, representing the number of shares of the Company immediately after the capitalisation issue, as if the corporate reorganisation (the "Reorganisation") detailed in the prospectus of the Company dated 29 November 2011 had been effective since 1 January 2010.

No adjustment has been made to the basic earnings per share amounts presented for the Reporting Period and six months ended 30 June 2011 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 per share amounts presented.

	Six months ended 30 June	
	2012	2011
	RMB'000	*RMB'000*
	(Unaudited)	(Audited)
Earnings		
Profit attributable to ordinary equity holders of the parent, used in the basic earnings per share calculation	**220,235**	178,189

	Number of shares Six months ended 30 June	
	2012	2011
Shares		
Weighted average number of ordinary shares in issue during the period used in the basic earnings per share calculation	**3,451,586,071**	2,946,750,000

10. INVENTORIES

	30 June	31 December
	2012	2011
	RMB'000	*RMB'000*
	(Unaudited)	(Audited)
Raw materials	**35,835**	19,107
Work in progress	**12,389**	13,964
Finished goods	**302,614**	303,383
	350,838	336,454

11. 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 2012 and 31 December 2011, based on the invoice date and net of provision and the balances of bills receivable, is as follows:

	30 June 2012	31 December 2011
	RMB'000	*RMB'000*
	(Unaudited)	(Audited)
Trade receivables		
Within 60 days	**92,880**	99,596
61 to 90 days	**1,293**	2,521
91 to 180 days	**559**	2,537
181 to 360 days	**479**	441
	95,211	105,095
Bills receivable	**205**	–
	95,416	105,095

12. TRADE AND BILLS PAYABLES

An aged analysis of the trade payables as at 30 June 2012 and 31 December 2011, based on the invoice date, and the balances of bills payable, is as follows:

	30 June 2012	31 December 2011
	RMB'000	*RMB'000*
	(Unaudited)	(Audited)
Trade payables		
Within 30 days	**27,780**	20,999
31 to 90 days	**1,815**	844
91 to 180 days	**68**	570
181 to 360 days	**10**	61
	29,673	22,474
Bills payable	**–**	3,952
	29,673	26,426

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.

13. ISSUED CAPITAL

	30 June 2012	31 December 2011
	HK$'000	*HK$'000*
	(Unaudited)	(Audited)
Authorised:		
1,000,000,000,000 (31 December 2011: 1,000,000,000,000) ordinary shares of HK$0.1 each	**100,000,000**	100,000,000
Issued and fully paid:		
3,452,148,000 (31 December 2011: 3,426,510,000) ordinary shares of HK$0.1 each	**345,215**	342,651
Equivalent to RMB'000	**281,204**	279,120

On 30 December 2011, the sole global coordinator, UBS AG, Hong Kong Branch, partially exercised the over-allotment option on behalf of the international underwriters requiring the Company to issue and allot 25,638,000 additional shares (the "Over-allotment Shares"). The Over-allotment Shares have been issued and allotted by the Company at HK$1.64 per share, being the offer price under the initial public offerings ("IPO"). Listing of and dealing in the Over-allotment Shares commenced on the Stock Exchange on 5 January 2012. In this regard, the net proceeds from the Over-allotment Shares approximated to HK$40,782,000 (equivalent to RMB33,142,000), of which RMB2,084,000 and RMB31,058,000 were included in the issued capital and share premium, respectively.

MANAGEMENT DISCUSSION & ANALYSIS

MARKET OVERVIEW

The global economy remained volatile during the Reporting Period given the uncertainty in its outlook. Concerns over the solution to the European sovereign debt crisis and fears of further debt contagion weighed heavily on investor and consumer sentiment. Signs of recovery in the United States economy at the start of the year were losing steam by the second quarter, compounded by the persistence of high unemployment and fragility in the housing market. Lower demand from outside markets reduced levels of export related activity in the PRC. At the same time, the PRC government continued to tighten its macro-control measures to slow down the inflation rate, which gradually decelerated the rapid expansion of the Chinese economy. The complicated and ever-changing economic environment of the Reporting Period posed huge challenge to China's economic growth. According to the National Bureau of Statistics of China ("NBSC"), the growth rate of China's nominal GDP for the Reporting Period has slowed down to 7.8% over the same period in 2011, being the lowest growth rate since the global financial crisis.

As impacted by the macro economy, the growth of consumer market of the PRC is decelerated moderately in the Reporting Period. According to the NBSC, the total retail sales of consumer products rose 14.4% to RMB9.82 trillion for the Reporting Period, representing a slight fall of 2.4% from 16.8% recorded for the same period of last year. Among which, urban and rural areas recorded retail sales of consumer products of RMB8.51 trillion and RMB1.31 trillion, representing an increase by 14.3% and 14.5% compared to the same period of last year, respectively (six months ended 30 June 2011: growth rate of urban areas of 16.9% and rural areas of 16.2%). In particular, the growth rate of retail sales of apparel products by the top 100 key and large-scale retailers had slowed down significantly from 21.81% for the first half of 2011 to 9.82% for the Reporting Period, according to the National Commercial Information Center of China (CNCIC) (中华全国商业信息中心).

Notwithstanding the challenges posed by the mixed economic environment of the Reporting Period, we are pleased to announce that China Outfitters Holdings Limited delivered a sound performance for the Reporting Period. Profit attributable to owners of the parent reached RMB220.2 million, representing an increase of 23.6%% compared to RMB178.2 million for the corresponding period of last year.

FINANCIAL REVIEW

Revenue

Our revenue increased by RMB118.8 million, or approximately 21.9%, from RMB542.1 million for the six months ended 30 June 2011 to RMB660.9 million for the Reporting Period. Such increase in revenue was mainly attributable to the increase in the number of retail points. The number of our retail points increased to 1,201 as at 30 June 2012, in particular the number of our retail points operated by third-party retailers increased to 700 due to our effort to continue to expand our retail network. In addition, the increase in sales was also attributable to our successful pricing strategy by increasing the retail price and optimisation of product mix.

By Sales Channel

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

	Six months ended 30 June			
	2012		2011	
	Revenue RMB million	***% of total revenue***	*Revenue RMB million*	*% of total revenue*
Sales at self-operated retail points	**396.2**	**60%**	330.2	61%
Sales to third-party retailers	**264.7**	**40%**	211.9	39%
Total	**660.9**	**100%**	542.1	100%

By Brand

	Six months ended 30 June			
	2012		**2011**	
	Revenue RMB million	***% of total revenue***	*Revenue RMB million*	*% of total revenue*
Licensed brands	**621.6**	**94%**	509.2	94%
Self-owned brands	**39.3**	**6%**	32.9	6%
Total	**660.9**	**100%**	542.1	100%

The revenue contributed from self-owned brands accounted for approximately 6% of the total revenue for the both periods indicated. It was mainly driven by an increase in sales from “London Fog” branded products which benefited from increasing recognition of our “London Fog” brand by the targeted consumers who are in pursuit of a higher quality of life and personal image and offset by a decrease in sales from “Doright” branded products.

Cost of sales

Our cost of sales increased by RMB22.1 million, or approximately 16.6%, from RMB132.9 million in the six months ended 30 June 2011 to RMB155.0 million for the Reporting Period, which was in line with the growth of our sales.

Gross profit and gross profit margin

Our gross profit increased by RMB96.8 million, or approximately 23.7%, from RMB409.2 million in the six months ended 30 June 2011 to RMB506.0 million for the Reporting Period. The increase in our overall gross profit margin from 75.5% in the first half of 2011 to 76.6% for the Reporting Period was mainly attributable to our successful pricing strategy by increasing the retail price and optimisation of product mix.

Other income and gains

Our other income and gains increased by RMB4.3 million, or approximately 23.8%, from RMB18.1 million in the six months ended 30 June 2011 to RMB22.4 million for the Reporting Period, primarily due to the receipt of subsidy income of RMB19.8 million from the local governments.

Selling and distribution costs

Our selling and distribution costs increased by RMB52.4 million, or approximately 33.5%, from RMB156.4 million in the six months ended 30 June 2011 to RMB208.8 million for the Reporting Period primarily due to: (i) an increase in concession fees for occupying concession counters within department stores and department store charges as more in-store marketing and promotional activities were organised by department stores during the period to boost sales; (ii) an increase in marketing staff costs due to the continuous expansion in our self-operated retail points; (iii) an increase in royalty fees for the use of the licensed brands; and (iv) an increase in promotional costs for the marketing of "JEEP" – lady and "London Fog" branded products.

Administrative expense

Our administrative expenses increased by RMB21.2 million, or approximately 159.4%, from RMB13.3 million in the six months ended 30 June 2011 to RMB34.5 million for the Reporting Period, primarily due to (i) the adoption of a Pre-IPO share option scheme on 25 November 2011 resulted in an increase in share option expense of RMB16.2 million for the Reporting Period (six months ended 30 June 2011: Nil); and (ii) the Directors entered into the service contracts with our Company in June 2011 and therefore the Directors' emoluments increased to RMB2.8 million for the Reporting Period (six months ended 30 June 2011: RMB0.5 million).

Other expenses

Our other expenses decreased from RMB14.2 million in the six months ended 30 June 2011 to RMB3.0 million for the Reporting Period were mainly due to the decrease in the one-off listing expenses of RMB14.1 million incurred in the six months ended 30 June 2011.

Finance income

Our finance income increased to RMB23.1 million for the Reporting Period as compared to RMB4.9 million in the six months ended 30 June 2011 primarily because we continued to maintain a relatively strong cash position throughout the Reporting Period as a result of the increase in cash inflows from operating activities and the proceeds received from the IPO.

Profit before tax

As a result of the foregoing factors, our profit before tax increased by RMB56.9 million, or approximately 22.9 %, from RMB248.3 million in the six months ended 30 June 2011 to RMB305.2 million for the Reporting Period.

Income tax expense

Our income tax increased by RMB15.6 million, or approximately 22.5%, from RMB69.3 million in the six months ended 30 June 2011 to RMB84.9 million for the Reporting Period primarily due to the (i) an increase of profit before tax generated by our operating entities in the PRC; and (ii) a provision of withholding tax on distributable profits of the PRC subsidiaries. The effective income tax rate for the Reporting Period was 27.8% (six months ended 30 June 2011: 27.9%)

Profit for the period

Our profit for the Reporting Period increased by RMB41.1 million, or approximately 22.9 %, from RMB179.1 million in the six months ended 30 June 2011 to RMB220.2 million for the Reporting Period. In addition, the increase in net profit margin from 33.0% in the six months ended 30 June 2011 to 33.3% for the Reporting Period was mainly due to a mixed effect of:

(i) Increase in gross profit margin from 75.5% to 76.6% led by the increase in our retail price; increase in percentage of finance income over total revenue from 0.9% to 3.5% due to our strong cash position and decrease in percentage of other expense over total revenue from 2.6% to 0.5%; partially offset by

(ii) Increase in percentage of selling and distribution costs over total revenue from 28.9% to 31.6% due to the increase in concession fees and marketing staff costs and increase in percentage of administrative expenses over total revenue from 2.5% to 5.2% due to the increase in share option expense and staff costs as detailed above.

Profit attributable to owners of the parent

As a result of the foregoing, profit attributable to owners of the parent increased by RMB42.0 million, or approximately 23.6%, from RMB178.2 million in the six months ended 30 June 2011 to RMB220.2 million for the Reporting Period.

Working capital management

	30 June 2012	31 December 2011
Inventory turnover days	**399**	336
Trade and bills receivables turnover days	**27**	29
Trade and bills payables turnover days	**33**	35

The increase in inventory turnover days by 63 days was primarily due to the following reasons:

- The sales of 2011 Fall/Winter and 2012 Spring/Summer clothes tend to be slower during the Relevant Period due to the continuous slow-down of retail market since the last quarter of 2011, which resulted in a relatively higher balance of inventories within 1 year;

- The rapid expansion of our sales network since the last quarter of 2011 required us to maintain a higher level of inventory to ensure sufficient stock supply to our expanding sales network and we keep certain adequate level of stock at each self-operated retail point; and

- The value of our raw materials and work-in-progress increased from RMB33.1 million as at 31 December 2011 to RMB48.2 million as at 30 June 2012 primarily due to the higher unit cost of raw materials for production of 2012 Fall/Winter product collection.

Trade and bills payables and trade and bills receivables turnover days were comparable for the periods indicated.

Financial resources and liquidity

As at 30 June 2012, we had an aggregate cash and cash equivalents and investment deposits of approximately RMB1,283.7 million. Our Group did not have any bank borrowings or other financing facilities during the Reporting Period.

As at 30 June 2012, we had net current assets of approximately RMB1,437.6 million, as compared to RMB1,374.9 million as at 31 December 2011. As at 30 June 2012, the current ratio, being current assets divided by current liabilities, of our Group was 5.0, compared to 4.4 as at 31 December 2011.

For the Reporting Period, the net cash generated from operating activities amounted to RMB159.5 million, as compared to RMB127.7 million in the same period of 2011.

Pledge of assets

As at 30 June 2012, no assets of our Group were pledged as a security for bank borrowings or any other financing facilities. (31 December 2011: RMB4.0 million for issuance of bank acceptance notes)

Foreign exchange management

We conduct business primarily in Hong Kong and the PRC with most of our transactions denominated and settled in Hong Kong dollars ("HK$") and RMB.

We have not entered into any forward contracts to hedge against fluctuations in the exchange rate between RMB and HK$. However, our management monitors foreign exchange exposure regularly and will consider if there is a need to hedge against significant foreign currency exposure.

Contingent liabilities

As at 30 June 2012, we did not have any material contingent liabilities.

Use of proceeds from 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$768.3 million (equivalent to approximately RMB625.8 million), including the net proceeds from the partial exercise of the over-allotment option on 30 December 2011.

As at 30 June 2012, the unused proceeds were deposited in 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 2012) *(HK$ million)*	Unutilised amount (as at 30 June 2012) *(HK$ million)*
Licensing or acquisition of additional recognised international brands	47%	360.9	–	360.9
Expansion and enhancement of existing logistical system	24%	181.9	–	181.9
Settlement of shareholder's loan	20%	152.8	147.1	5.7
General working capital	9%	72.7	–	72.7
	100%	768.3	147.1	621.2

OPERATIONS REVIEW

Retail and distribution network

We believe that our extensive and well-managed sales network has assisted us in building a unified image for each of our brands. We have strategically used a combination of self-operated retail points as well as retail points operated by third-party retailers to increase our market penetration. For the Reporting Period, we continued to adopt a strategy of establishing a meaningful presence in major cities in the PRC such as Beijing, Shanghai, Chengdu, Guangzhou, Shenzhen and etc., which we consider as our core markets by opening our self-operated retail points and engaging third-party retailers which directly operate stores or concession counters in department stores or shopping malls in cities where we do not operate retail points to expand our sales network. The following table sets out 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 2012 and 31 December 2011:

	As at 30 June 2012			As at 31 December 2011		
Brand	**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	**182**	**432**	**614**	171	382	553
– lady	**33**	**27**	**60**	20	13	33
"Santa Barbara Polo & Racquet Club" ("SBPRC")	**165**	**181**	**346**	161	171	332
"London Fog"	**68**	**60**	**128**	60	61	121
Others	**53**	**–**	**53**	63	–	63
Total	**501**	**700**	**1,201**	475	627	1,102

Self-operated retail points

- Self-operated concession counters: As at 30 June 2012 and 31 December 2011, we had a network of 481 and 455, respectively, which were directly operated by us. All of our self-operated concession counters are located within mainstream department stores, including Parkson (百盛), Golden Eagle (金鷹), MOI (茂業), Intime (银泰), Wangfujing (王府井).

- Self-operated stores: As at 30 June 2012 and 31 December 2011, we had a network of 20 and 20, respectively, most of 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.

Retail points operated by third-party retailers

For the Reporting period, we engaged 13, 11 and 5 new third-party retailers for our "JEEP", "SBPRC" and "London Fog" brands, respectively. We have also increased visits to our third-party retailers and provided formal and systematic trainings to them with an aim at implementation of a set of standard operating procedures for each of their major store operating functions, including cashier, marketing concession staff and store supervisor.

Building brand equity

We believe that one of the most valuable assets of our Group is its brands and we place great emphasis on the long-term development of our brands.

- We continued to enhance the layout of our retail points and the way to display our products. Every brand in our Group offers a distinct style, carries a unique philosophy and targets a specific customer group. We believe continuous enhancement of the way to display our products could provide better shopping experience for our consumers. Based on the successful experience in the "JEEP" retail points, an enhancement project is being rolled out to all other brands such as "JEEP" – lady, "London Fog" and "SBPRC";

- In line with our strategy of diversifying its product portfolio, we entered into a joint venture agreement with Perry Ellis International Group Holdings Limited and Perry Ellis International, Inc. in April 2012 relating to the establishment of a joint venture company for the purpose of engaging in the promotion, manufacturing, sale and marketing of mid-to-high men's and women's apparel products and accessories under the "Manhattan" trademarks in the PRC;

- The city of London is the host of the 30th Olympic Games. We have tactically using the London theme and adding symbols and elements of the city into our products in promotion of our "London Fog" brand during the Reporting Period.

Design and product development

We believe that product design has been one of the keys to our growth and success. We differentiate our products from those of our competitors by designing men's smart casual wear, outdoor casual wear and leisure wear with image, style and cutting that tailored for the taste of the PRC consumers and consistent with the unique image and philosophy carried by each brand. In view of this, we continuously design and develop fashionable and innovative apparel products aiming at enhancing our brand equity and providing us with a better pricing capability.

Our in-house design team is led by our chief designer, who have design experience in the industry for more than ten years and the majority of our designers have an average of more than three years of working experience in the related fields.

Production and supply chain

We have strategically used a combination of self-production, subcontracting services and outsourcing production, with an aim to optimise product quality, cost-effectiveness and production flexibility. During the Reporting Period, we continued to improve our enterprise resource planning ("ERP") system to improve efficiency of our warehousing operations to ensure we are able to deliver the best products to our consumers in a cost-efficient manner. We did not increase our production capacity during the Reporting Period and had no plan for expansion up to the date of this announcement.

Employee information

As at 30 June 2012, our Group had approximately 2,304 full-time employees. Staff costs including Directors' remuneration, totalled RMB53.3 million during the Reporting Period.

Our subsidiaries in the PRC are required to participate in a central pension scheme operated by the local municipal government whilst our employees in Hong Kong are covered by retirement benefit schemes adopted under the Mandatory Provident Fund Schemes Ordinance.

Our Company also 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, our Group. A total of 205,552,000 shares under Pre-IPO Share Option Scheme were granted on 9 December 2011 to 20 participants, including 8 directors, at a consideration of HK$1 paid by each participant. During the Reporting Period, one of the eligible participants, Mr. Mak Yue Ping resigned from the office. Pursuant to the terms of the Pre-IPO Share Option Scheme, 6,328,000 shares held by Mr. Mak Yue Ping lapsed automatically and not be exercisable. 199,224,000 options were outstanding as at 30 June 2012 and the date of the announcement accordingly.

Prospects

Although the overall economy in China is developing steadily, the national economic growth has decelerated and faces downward pressure from a number of factors such as the gloomy global economic outlook. The Directors expect a relatively stronger economic growth in the PRC for the second half of 2012, as the recent loosening of monetary policy in the PRC is expected to add further impetus to the economy, which capital intensive investment set to benefit the most. This positive effect may be reflected in the consumption market at a later stage.

Management will continue to focus on the following key objectives for 2012:

- We will carry through strategic plan of expanding and upgrading the retail network and explore more sales channels and locations, including outlet stores, stores in airports and high-speed railway stations, shopping malls and internet sales platform, aiming to build a mixed sales channels and increase our revenue and profitability;

- We will continue to improve our same-stores-sales growth by maintaining and enhancing pricing discipline, continuously enhancing the layout of our retail points and the way to display our products and actively participating joint promotional activities organised by department stores and shopping malls;

- We will continue to improve and strengthen the development of "London Fog" and "JEEP" – lady. We will increase advertising and promotion in targeted local promotional campaigns to build brand equity and support the expansion of retail networks;

- We aim to launch the first batch of Manhattan men's products by the end of 2012; and

- We will continue to enhance sales forces for reducing our level of aged inventories, optimisation of our production plan for 2012 Fall/Winter product collections and maintain stringent cost controls over raw materials and subcontracting costs with an aim at reducing our inventory turnover days. We will also work with other third party consulting firms to improve our overall inventory management.

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

Apart from the shares issued on 5 January 2012 as a result of the partial exercise of the over-allotment option, neither the Company nor any of its subsidiaries purchased, sold or redeemed any of the Company's listed securities during the Reporting Period.

CORPORATE GOVERNANCE

Corporate governance practices

The Company is committed to maintaining and upholding guidelines and procedures for stringent corporate governance. In respect of the Reporting Period, all the provisions set out in the Corporate Governance Code contained in Appendix 14 of the Listing Rules (the "CG Code") were met by the Company. The Company will periodically review its corporate governance practices to ensure its continuous compliance with the CG Code.

Compliance with model code by the Directors

The Company has adopted the Model Code for Securities Transactions by Directors of Listed Issuers (‘Model Code”) contained in Appendix 10 to the Listing Rules as its code of conduct regarding securities transactions by the Directors. Having made specific enquiry with all Directors, the Company has confirmed with all Directors that they have complied with the required standard set out in the Model Code and its code of conduct regarding any Directors’ securities transactions for the period from 1 January 2012 to 20 August 2012 (date of this announcement).

REVIEW OF INTERIM RESULTS

The Audit Committee has discussed with management internal controls and financial reporting matters related to the preparation of the interim condensed financial statements for the Reporting Period. It has also reviewed the said financial statements in conjunction with the Company’s external auditors.

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

PUBLICATION OF INTERIM RESULTS ANNOUNCEMENT AND INTERIM REPORT

This interim results announcement is published on the websites of the Company at www.cohl.hk and Hong Kong Exchanges and Clearing Limited at www.hkex.com.hk. The interim report for the Reporting Period containing all the information required by Appendix 16 to the Listing Rules will be dispatched to shareholders of the Company and published on the above websites in due course.

APPRECIATION

I would like to take this opportunity to thank our colleagues on the board for their contribution and support throughout the Reporting 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
Peter LO
Chairman

Hong Kong, 20 August 2012

As at the date of this announcement, the executive directors are Mr. Lo Peter, Mr. Zhang Yongli, Mr. Sun David Lee and Ms. Huang Xiaoyun; the non-executive directors are Mr. Li Guoqiang and Mr. Wang Wei; and the independent non-executive directors are Mr. Kwong Wilson Wai Sun, Mr. Cui Yi and Mr. Yeung Chi Wai.