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 2013

FINANCIAL HIGHLIGHTS

	Six months ended 30 June		
	2013	2012	
	RMB million	*RMB million*	*Change*
REVENUE	**621.3**	660.9	(6.0%)
Gross profit	**453.4**	506.0	(10.4%)
Gross margin	***73.0%***	*76.6%*	*(3.6 p.p.t)*
Operating profit	**246.1**	282.1	(12.8%)
Operating margin	***39.6%***	*42.7%*	*(3.1 p.p.t)*
Profit attributable to owners of the parent	**200.9**	220.2	(8.8%)
Basic earnings per share (RMB cents)	**5.83**	6.38	(8.6%)

The board of directors of China Outfitters Holdings Limited (the "Company") is pleased to announce the unaudited consolidated interim results of the Company and its subsidiaries (collectively, the "Group") for the six months ended 30 June 2013 (the "Reporting Period"), together with the comparative figures for the corresponding period in 2012, as follows:

CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the six months ended 30 June 2013

	Notes	Six months ended 30 June 2013 RMB'000 (Unaudited)	2012 RMB'000 (Unaudited)
REVENUE	4	**621,326**	660,944
Cost of sales		**(167,936)**	(154,968)
Gross profit		**453,390**	505,976
Other income and gains, net	4	**33,794**	22,412
Selling and distribution costs		**(211,848)**	(208,818)
Administrative expenses		**(29,242)**	(34,514)
Other expenses		**—**	(2,956)
Operating profit		**246,094**	282,100
Finance income	5	**23,785**	23,057
PROFIT BEFORE TAX	6	**269,879**	305,157
Income tax expense	7	**(69,037)**	(84,910)
PROFIT FOR THE PERIOD		**200,842**	220,247
OTHER COMPREHENSIVE INCOME			
Other comprehensive income to be reclassified to profit or loss in subsequent periods:			
Exchange differences on translation of foreign operations		**(1,628)**	1,723
TOTAL COMPREHENSIVE INCOME FOR THE PERIOD, NET OF TAX		**199,214**	221,970
Profit attributable to:			
Owners of the parent		**200,850**	220,235
Non-controlling interests		**(8)**	12
		200,842	220,247
Total comprehensive income attributable to:			
Owners of the parent		**199,238**	221,958
Non-controlling interests		**(24)**	12
		199,214	221,970
EARNINGS PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE PARENT	9		
Basic and diluted		**RMB5.83 cents**	RMB6.38 cents

Details of the dividend for the Reporting Period are disclosed in note 8.

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION
As at 30 June 2013

	Notes	30 June 2013 RMB'000 (Unaudited)	31 December 2012 RMB'000 (Audited)
NON-CURRENT ASSETS			
Property, plant and equipment		**97,699**	86,504
Prepaid land lease payments		**77,138**	42,230
Investment properties		**5,325**	5,405
Goodwill		**70,697**	70,697
Other intangible assets		**127,651**	67,513
Deferred tax assets		**56,726**	42,832
Total non-current assets		**435,236**	315,181
CURRENT ASSETS			
Inventories	10	**352,417**	386,195
Trade and bills receivables	11	**97,251**	122,963
Prepayments, deposits and other receivables		**56,409**	56,049
Structured bank deposits	12	**941,000**	1,082,800
Pledged bank deposits		**6,443**	—
Cash and cash equivalents		**334,045**	378,894
Total current assets		**1,787,565**	2,026,901
CURRENT LIABILITIES			
Trade and bills payables	13	**31,473**	40,825
Deposits received, other payables and accruals		**119,698**	136,375
Tax payable		**157,930**	174,379
Total current liabilities		**309,101**	351,579
NET CURRENT ASSETS		**1,478,464**	1,675,322
TOTAL ASSETS LESS CURRENT LIABILITIES		**1,913,700**	1,990,503
NON-CURRENT LIABILITIES			
Deferred tax liabilities		**13,931**	19,024
Net assets		**1,899,769**	1,971,479
EQUITY			
Equity attributable to owners of the parent			
Issued capital	14	**280,661**	280,661
Reserves		**1,616,656**	1,408,968
Proposed final and special final dividends	8	**—**	279,374
		1,897,317	1,969,003
Non-controlling interests		**2,452**	2,476
Total equity		**1,899,769**	1,971,479

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 190 Elgin Avenue, George Town, Grand Cayman KY1-9005, Cayman Islands. The address of its principal place of business is Unit 713, 7/F, East Ocean Centre, 98 Granville Road, Tsim Sha Tsui East, Kowloon, Hong Kong. The shares of the Company were listed on the Main Board of the Stock Exchange of Hong Kong Limited (the "Stock Exchange") on 9 December 2011 (the "Listing Date").

The principal activity of the Company is investment holding. The Group is principally engaged in the business of design, manufacturing, marketing and sale of apparel 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 Reporting Period.

In the opinion of the directors of the Company (the "Directors"), as at 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 (the "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 "Listing Rules") and International Accounting Standard ("IAS") 34 *Interim Financial Reporting* issued by the International Accounting Standards Board.

These interim condensed consolidated financial statements are presented in Renminbi ("RMB") and all values are rounded to the nearest thousand except when otherwise indicated. These interim condensed consolidated financial statements do not include all information and disclosures required in the 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 2012.

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 2012. The Group has adopted the following new and 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 — Government Loans*
IFRS 7 Amendments	Amendments to IFRS 7 *Financial Instruments: Disclosures — Offsetting Financial Assets and Financial Liabilities*
IFRS 10	*Consolidated Financial Statements*
IFRS 11	*Joint Arrangements*
IFRS 12	*Disclosure of Interests in Other Entities*
IFRS 10, IFRS 11 and IFRS 12 Amendments	Amendments to IFRS 10, IFRS 11 and IFRS 12 — *Transition Guidance*
IFRS 13	*Fair Value Measurement*
IAS 1 Amendments	Amendments to IAS 1 *Presentation of Financial Statements — Presentation of Items of Other Comprehensive Income*
IAS 19 Amendments	Amendments to IAS 19 *Employee Benefits*
IAS 27 (Revised)	*Separate Financial Statements*
IAS 28 (Revised)	*Investments in Associates and Joint Ventures*
IFRIC 20	*Stripping Costs in the Production Phase of a Surface Mine*
Annual Improvements 2009–2011 Cycle	Amendments to a number of IFRSs issued in May 2012

The adoption of these new and 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 revenue 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	
	2013	2012
	RMB'000	*RMB'000*
	(Unaudited)	(Unaudited)
Revenue		
Sale of goods	**621,326**	660,944
Other income and gains, net		
Government subsidies*	**25,757**	19,845
Foreign exchange gain, net	**6,108**	—
Arrangement fees#	**1,468**	1,377
Rental income, net	**101**	131
Sale of consumables, net	**296**	932
Others	**64**	127
	33,794	22,412

* 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	
	2013	2012
	RMB'000	*RMB'000*
	(Unaudited)	(Unaudited)
Interest income on bank deposits	**3,226**	9,140
Interest income from structured bank deposits	**20,559**	13,917
	23,785	23,057

6. PROFIT BEFORE TAX

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

	Six months ended 30 June	
	2013	2012
	RMB'000	*RMB'000*
	(Unaudited)	(Unaudited)
Cost of inventories sold	**112,771**	123,397
Depreciation		
Property, plant and equipment	**4,638**	4,204
Investment properties	**80**	67
	4,718	4,271
Employee benefit expenses (including Directors' remuneration):		
Wages and salaries	**37,148**	33,120
Equity-settled share option expenses	**8,450**	16,174
Pension scheme contributions	**4,950**	4,007
	50,548	53,301
Amortisation of prepaid land lease payments*	**729**	477
Amortisation of other intangible assets*	**346**	124
Reversal of impairment of trade receivables	**(1,409)**	—
Write-down of inventories to net realisable value#	**55,165**	31,571
Foreign exchange differences, net	**(6,108)**	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 interim condensed consolidated statement of comprehensive income.

The write-down of inventories to net realisable value is included in "Cost of sales" in the interim 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 2013 and 2012.

	Six months ended 30 June	
	2013	2012
	RMB'000	*RMB'000*
	(Unaudited)	(Unaudited)
Current — PRC		
Charge for the period	**83,024**	88,943
Deferred	**(13,987)**	(4,033)
Total tax charge for the period	**69,037**	84,910

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 2012: Nil).

The final and special final dividends for the year ended 31 December 2012 on ordinary shares of RMB279,374,000 were approved by shareholders of the Company at the annual general meeting on 20 May 2013 and was subsequently paid in June 2013.

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 RMB200,850,000 (six months ended 30 June 2012: RMB220,235,000) and the weighted average number of ordinary shares of 3,445,450,000 (six months ended 30 June 2012: 3,451,586,071) in issue during the Reporting Period.

No adjustment has been made to the basic earnings per share amounts presented for the Reporting Period and six months ended 30 June 2012 in respect of a dilution as the share options under Pre-IPO Share Option Scheme outstanding had an anti-dilutive effect on the basic earnings per share amounts presented.

	Six months ended 30 June	
	2013	2012
	RMB'000	*RMB'000*
	(Unaudited)	(Unaudited)
Earnings		
Profit attributable to ordinary equity holders of the parent, used in the basic earnings per share calculation	**200,850**	220,235

	Number of shares Six months ended 30 June	
	2013	2012
Shares		
Weighted average number of ordinary shares in issue during the period used in the basic earnings per share calculation	**3,445,450,000**	3,451,586,071

10. INVENTORIES

	30 June 2013 *RMB'000* (Unaudited)	31 December 2012 *RMB'000* (Audited)
Raw materials	**15,553**	17,994
Work in progress	**8,088**	9,590
Finished goods	**328,776**	358,611
	352,417	386,195

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 2013 and 31 December 2012, based on the invoice date and net of provision and the balances of bills receivable, is as follows:

	30 June 2013 *RMB'000* (Unaudited)	31 December 2012 *RMB'000* (Audited)
Trade receivables		
Within 60 days	**87,941**	118,019
61 to 90 days	**1,076**	895
91 to 180 days	**2,611**	1,940
181 to 360 days	**1,482**	1,857
Over 360 days	**201**	—
	93,311	122,711
Bills receivable	**3,940**	252
	97,251	122,963

Transfer of financial assets

Financial assets derecognised

At 30 June 2013, the Group discounted a bill receivable accepted by a bank in the PRC (the "Derecognised Bill"), to another bank in the PRC in order to settle the trade payables due to suppliers with a carrying amount of RMB1,000,000 (31 December 2012: Nil). The Derecognised Bill has a maturity of three months at the end of the Reporting Period. In accordance with the Law of Negotiable Instruments in the PRC, the holder of the Derecognised Bill has a right of recourse against the Group if the PRC bank defaults (the "Continuing Involvement"). In the opinion of the Directors, the Group has transferred substantially all risks and rewards relating to the Derecognised Bill. Accordingly, it has derecognised the full carrying amount of the Derecognised Bill and the associated trade payables. The maximum exposure to loss from the Group's Continuing Involvement in the Derecognised Bill and the undiscounted cash flows to repurchase the Derecognised Bill equal to its carrying amount. In the opinion of the Directors, the fair value of the Group's Continuing Involvement in the Derecognised Bill is not significant.

During the Reporting Period, the Group has not recognised any gain or loss on the date of transfer of the Derecognised Bill. No gain or loss was recognised from the Continuing Involvement.

12. STRUCTURED BANK DEPOSITS

	30 June 2013	31 December 2012
	RMB'000	*RMB'000*
	(Unaudited)	(Audited)
Structured bank deposits, in licensed banks in Mainland China, at amortised cost	**941,000**	1,082,800

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

13. TRADE AND BILLS PAYABLES

An aged analysis of the trade payables as at 30 June 2013 and 31 December 2012, based on the invoice date, and the balances of bills payable, is as follows:

	30 June 2013	31 December 2012
	RMB'000	*RMB'000*
	(Unaudited)	(Audited)
Trade payables		
Within 30 days	**20,405**	36,645
31 to 90 days	**2,939**	3,616
91 to 180 days	**1,204**	407
181 to 360 days	**482**	157
	25,030	40,825
Bills payable	**6,443**	—
	31,473	40,825

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.

14. ISSUED CAPITAL

	30 June 2013 *HK$'000* **(Unaudited)**	31 December 2012 *HK$'000* (Audited)
Authorised:		
1,000,000,000,000 (31 December 2012: 1,000,000,000,000) ordinary shares of HK$0.1 each	**100,000,000**	100,000,000
Issued and fully paid:		
3,445,450,000 (31 December 2012: 3,445,450,000) ordinary shares of HK$0.1 each	**344,545**	344,545
Equivalent to RMB'000	**280,661**	280,661

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

MANAGEMENT DISCUSSION AND ANALYSIS

MARKET OVERVIEW

In the first half of 2013, China's nominal Gross Domestic Product (GDP) increased by 7.6% over the same period in 2012, which indicated a slowdown of economic growth. The Chinese government's official growth target for 2013 is 7.5%, which remains impressive compared to that of most other countries, but is nonetheless the slowest growth rate in past 23 years for China since 1990. The economic slowdown has impacted consumer sentiment and the growth of consumer market of PRC continued to decelerate in the first half of 2013. According to the data of the National Bureau of Statistics of China, the total retail sales of consumer products rose 12.7% to RMB11.08 trillion in the first half of 2013, representing a slight fall by 1.7 percentage points from 14.4% for the same period of last year. According to the statistics of the National Commercial Information Center of China (CNCIC) (中華全國商業信息中心), the top 100 key and large-scale retailers across the country has reported a growth of 10.7% in the first half of 2013, representing a period-on-period decrease of 0.3 percentage points in the growth rate; in which the retail sales of apparel products only grow 6.9% compared to that over the same period last year, representing a period-on-period decrease of 2.9 percentage points in the growth rate.

Under a relative difficult economic environment with continuous challenges, the Directors adjusted the corresponding measures timely and committed to alleviating the adverse impacts. China Outfitters Holdings Limited recorded a revenue of RMB621.3million during the Reporting Period, representing a decrease of 6.0% compared to RMB660.9 million for the corresponding period last year. Profit attributable to owners of the parent reached RMB200.9 million, representing a decrease of 8.8% compared to RMB220.2 million for the corresponding period last year.

FINANCIAL REVIEW

Revenue

We generate revenue from the retail sales of our products to our end consumers, in most cases through self-operated retail points in department stores in major cities in the PRC, which we consider as our core markets, as well as from the sales of our products to third-party retailers who directly manage concession counters and retail stores in other cities in the PRC, where we do not operate retail points. The Group's revenue decreased by RMB39.6 million, or approximately 6.0%, from RMB660.9 million for the six months ended 30 June 2012 to RMB621.3 million for the Reporting Period. This decrease was mainly attributable to (i) the slowdown of economic growth and weaker consumption sentiments resulted in a prolonged sluggish retail market; (ii) the drop in spending as a result of the frugality lifestyle advocated by the Chinese government; and (iii) the impact of e-commerce on conventional retail stores.

Revenue from the self-operated retail points increased by RMB3.1 million, or 0.8%, from RMB396.2 million for the six months ended 30 June 2012 to RMB399.3 million for the Reporting Period. The growth in the business line was mainly attributable to our consistent sales pricing strategy and discount policy, as well as an increase of revenue from our new brands London Fog and Jeep Lady.

Revenue from the sales to third-party retailers decreased by RMB42.7 million, or approximately 16.1%, from RMB264.7 million for the six months ended 30 June 2012 to RMB222.0 million for the Reporting Period. The decrease in the business line was mainly due to the slowdown consumption in third to fourth tier cities, especially in northern China, for the Reporting Period.

By Sales Channel

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

	For the six months ended 30 June			
	2013		2012	
	Revenue RMB' million	***% of total revenue***	*Revenue RMB' million*	*% of total revenue*
Sales from self-operated retail points	**399.3**	**64%**	396.2	60%
Sales to third-party retailers	**222.0**	**36%**	264.7	40%
Total	**621.3**	**100%**	660.9	100%

By Brand

The table below sets forth the breakdown of our revenue contributed by the sales made through self-owned brands and licensed brands:

	For the six months ended 30 June			
	2013		2012	
	Revenue RMB' million	***% of total revenue***	*Revenue RMB' million*	*% of total revenue*
Licensed brands	**593.4**	**96%**	621.6	94%
Self-owned brands	**27.9**	**4%**	39.3	6%
Total	**621.3**	**100%**	660.9	100%

Revenue contributed from the self-owned brands accounted for approximately 4% to 6% of the total revenue for the both periods indicated. Revenue from our new brands London Fog and Jeep Lady, which were introduced into the PRC apparel market in 2009 and 2011, of the total revenue has been continuously increased from 8.4% for the six months ended 30 June 2012 to 8.8% for the Reporting Period.

Cost of sales

Our cost of sales increased by RMB12.9 million, or approximately 8.3%, from RMB155.0 million for the six months ended 30 June 2012 to RMB167.9 million for the Reporting Period. The increase in cost of sales was primarily due to the increase in inventory provision of RMB23.6 million, or approximately 74.7%, from RMB31.6 million for the six months ended 30 June 2012 to RMB55.2 million for the Reporting Period.

Gross profit and gross margin

Our gross profit decreased by RMB52.6 million, or approximately 10.4%, from RMB506.0 million for the six months ended 30 June 2012 to RMB453.4 million for the Reporting Period as a result of the decrease in total revenue and an increase in cost of sales. Meanwhile, with the significant increase in inventory provision, our overall gross margin decreased from 76.6% in the first half of 2012 to 73.0% for the Reporting Period.

Other income and gains, net

Our other income and gains increased by RMB11.4 million, or approximately 50.9%, from RMB22.4 million for the six months ended 30 June 2012 to RMB33.8 million for the Reporting Period. The increase was primarily due to (i) a foreign exchange gain of RMB6.1 million recorded during the Reporting Period as a result of the rising of the exchange rate for Renminbi against Hong Kong dollars, as compared to the foreign exchange loss of RMB3.0 million for the six months ended 30 June 2012; and (ii) an increase of the receipt of subsidy income from the local governments by RMB6.0 million, or approximately 30.0%, from RMB19.8 million for the six months ended 30 June 2012 to RMB25.8 million for the Reporting Period.

Selling and distribution costs

Our selling and distribution costs increased by RMB3.0 million, or approximately 1.4%, from RMB208.8 million for the six months ended 30 June 2012 to RMB211.8 million for the Reporting Period, primarily attributable to: (i) an increase in the department stores' concession fees and expenses as more marketing and promotional activities were organized by the department stores to boost sales in the Reporting Period; and (ii) an increase in the cost of marketing staff by RMB4.9 million, or approximately 18.8%, from RMB26.0 million for the six months ended 30 June 2012 to RMB30.9 million for the Reporting Period primarily due to the salary adjustment of marketing staff.

Administrative expenses

Our administrative expenses decreased by RMB5.3 million, or approximately 15.4%, from RMB34.5 million for the six months ended 30 June 2012 to RMB29.2 million for the Reporting Period, primarily attributable to a decrease in the amount of amortization of share option expenses under the Pre-IPO Share Option Scheme by RMB7.7 million from RMB16.2 million for the six months ended 30 June 2012 to RMB8.5 million for the Reporting Period.

Other expenses

We did not incur any other expenses during the Reporting Period. Other expenses for the six months ended 30 June 2012 represented foreign exchange losses.

Finance income

Our finance income increased by approximately 3.0%, from RMB23.1 million for the six months ended 30 June 2012 to RMB23.8 million for the Reporting Period primarily due to our relatively strong cash position throughout the period.

Profit before tax

As a result of the foregoing factors, our profit before tax decreased by RMB35.3 million, or approximately 11.6%, from RMB305.2 million for the six months ended 30 June 2012 to RMB269.9 million for the Reporting Period.

Income tax expense

Our income tax expenses decreased by RMB15.9 million, or approximately 18.7%, from RMB84.9 million for the six months ended 30 June 2012 to RMB69.0 million for the Reporting Period, primarily attributable to a decrease in profit before tax generated by our operating entities in the PRC. The effective income tax rate for the Reporting Period was 25.6% (six months ended 30 June 2012: 27.8%).

Profit for the period

Our profit for the period decreased by RMB19.4 million, or approximately 8.8%, from RMB220.2 million for the six months ended 30 June 2012 to RMB200.8 million for the Reporting Period. In addition, the decrease in net profit margin from 33.3% for the six months ended 30 June 2012 to 32.3% for the Reporting Period was mainly due to a mixed effect of:

(i) a decrease in gross margin from 76.6% to 73.0% as a result of the increase in inventory provision; and

(ii) an increase in the percentage of other income and gains over the total revenue from 3.4% for the six months ended 30 June 2012 to 5.4% for the Reporting Period as a result of the increase in the government subsidies received and foreign exchange gains.

Profit attributable to owners of the parent

As a result of the foregoing, profit attributable to owners of the parent decreased by RMB19.3 million, or approximately 8.8%, from RMB220.2 million for the six months ended 30 June 2012 to RMB200.9 million for the Reporting Period.

Working capital management

	30 June 2013	31 December 2012
Inventory turnover days	**396**	373
Trade and bills receivables turnover days	**32**	30
Trade and bills payables turnover days	**39**	33

The increase in inventory turnover days by 23 days was primarily due to the prolonged sluggish of the retail market resulted in a decrease in our Group's revenue, which in turn led to a slower turnover of the Group's inventories and an increase in inventory turnover days. However, the inventory balance of the Group decreased by RMB33.8 million, or approximately 8.8%, from RMB386.2 million as at 31 December 2012 to RMB352.4 million as at 30 June 2013.

Turnover days of the trade and bills payables and those of the trade and bills receivables were comparable for the periods indicated.

Financial resources and liquidity

As at 30 June 2013, we had an aggregate structured bank deposits, pledged bank deposits and cash and cash equivalents of approximately RMB1,281.5 million. The Group did not have any bank borrowings or other financing facilities during the Reporting Period.

As at 30 June 2013, we had the net current assets of approximately RMB1,478.5 million, as compared to RMB1,675.3 million as at 31 December 2012. As at 30 June 2013 and 31 December 2012, the current ratio, being the current assets divided by the current liabilities, of the Group were both 5.8.

Net cash flows from operating activities were RMB198.1 million for the Reporting Period, as compared to that of RMB159.5 million for the same period in 2012.

Pledge of assets

As at 30 June 2013, bank deposits of RMB6.4 million (31 December 2012: Nil) were pledged for issuing bank acceptance notes. The pledged bank deposits will be released in full upon the settlement of the relevant payables.

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 the 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, if necessary.

Contingent liability

As at 30 June 2013, 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 Main Board of the Stock Exchange. The total net proceeds from the IPO amounted to approximately HK$803.9 million (equivalent to approximately RMB654.8 million), including the net proceeds from the partial exercise of the over-allotment option on 30 December 2011.

During the Reporting Period, an aggregate of RMB62.4 million (equivalent to HK$77.5 million) was used for acquisition of the intellectual property rights of Artful Dodger and Zoo York brands in PRC, Hong Kong, Macau and Taiwan and royalty for the license of Maxim's brand in the PRC. In addition, an aggregate of RMB50.8 million (equivalent to HK$64.2 million) was used for acquisition of a parcel of land in Shanghai and a warehouse in Jinan, Shandong Province.

As at 30 June 2013, the unused proceeds were deposited in the 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 2013) *(HK$ million)*	Unutilised amount (as at 30 June 2013) *(HK$ million)*
Licensing or acquisition of additional recognised international brands	47%	380.7	77.5	303.2
Expansion and enhancement of existing logistical system	24%	193.1	64.2	128.9
Settlement of shareholder's loan	19%	152.8	147.1	5.7
General working capital	10%	77.3	—	77.3
	100%	803.9	288.8	515.1

OPERATIONS REVIEW

Retail network

Amid the backdrop of a slowdown in economic growth, we looked forward to building a unified image for each of our brands and laying a good foundation for the introduction of new brands by focusing on adjusting and optimizing 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 2013 and 31 December 2012:

	As at 30 June 2013			As at 31 December 2012		
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	**202**	**509**	**711**	197	486	683
— lady	**47**	**32**	**79**	46	29	75
Santa Barbara Polo & Racquet Club ("SBPRC")	**192**	**190**	**382**	192	189	381
London Fog	**67**	**55**	**122**	72	59	131
Others	**38**	**—**	**38**	42	—	42
Total	**546**	**786**	**1,332**	549	763	1,312

Self-operated retail points

- Self-operated concession counters: as at 30 June 2013 and 31 December 2012, we had a network of 532 and 535 concession counters, respectively, which were directly operated by us. All of our self-operated concession counters are located within the mainstream department stores, including Bailian (百聯), Silver Plaza (銀座), Parkson (百盛), MOI (茂業), Wangfujing (王府井), Golden Eagle (金鷹), Dashang (大商) and Wanda (萬達); and

- Self-operated stores: as at 30 June 2013 and 31 December 2012, we had 14 and 14 self-operated stores, respectively, most of which were located in the 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

During the Reporting Period, we engaged 4, 2 and 2 new third-party retailers for sale of our JEEP, SBPRC and Jeep Lady products, respectively. We have also engaged professional advisors to provide training to our third-party retailers on products displays and other retailing skills.

Building brand equity

The continuing implementation of a multi-brand strategy is critical to our sustainable expansion and growth. We believe that our multi-brand strategy will allow us capture more market segments, take advantage of a wider range of market opportunities and ultimately increase our overall market share in China's fast-growing menswear market. Our diversification initiatives in brand portfolio during the Reporting Period included the followings:

- We continued to enrich the Group's brand portfolio and completed acquisition of the intellectual property rights of Artful Dodger and Zoo York in PRC, Hong Kong, Macau and Taiwan.
- We were in the process of conducting market research and brand positioning for Artful Dodger and Zoo York and planned to launch their first season products in the second half of 2014.
- We strengthened the advertising and promotion on traditional media and new media for the purpose of paving the way for the launch of the first fall/winter season products of our new brands such as Manhattan and Maxim's in the second half of 2013.

Production and supply chain

During the Reporting Period, we optimized the existing logistic resources and warehousing spaces to accommodate the need of distribution and logistics of our e-commerce business, as well as further improving the efficiency of the warehouse operations. In addition, the logistics in northern China region will be significantly improved by using the newly purchased warehouse in Jinan, Shandong Province.

Employee information

As at 30 June 2013, the Group had approximately 2,435 full-time employees. Staff costs, including Directors' remuneration, totalled RMB50.5 million during the Reporting Period.

Our Company also operated a Share Option Scheme and a Pre-IPO Share Option Scheme for the purpose of providing incentives and rewards to eligible participants for their contribution to, and continuing efforts to promote the interests of, our Group. A total of 199,224,000 options under the Pre-IPO Share Option Scheme that granted to 19 participants (including 8 directors), were outstanding as at 30 June 2013.

Prospects

The management will continue to focus on the following key objectives for 2013:

- We will continue to adjust and optimize our retail network, improve the single store sales and drive the growth of same store sales;
- We will strive to manage the retail market of third-party retailers through providing intensive training programs to our third-party retailers on product display, product knowledge and other retailing skills. Performance assessments of these retailers will be improved to enhance their sales forces;
- We will continue to follow our multi-channel strategy and e-commerce business will be a priority in the second half of 2013;

- In line with our multi-brand strategy, we plan to introduce the first fall/winter season products of our new brands such as Manhattan and Maxim's in the third quarter of 2013;
- A parcel of land acquired in the second half of 2011 in Shanghai will be used to expand our Group's logistic warehouses. The construction work of these warehouses is expected to commence in the third quarter of 2013; and
- A parcel of land acquired during the Reporting Period in Shanghai will be used to build our Group's research and development and product display center. The construction work of this centre is expected to commence in 2014.

INTERIM DIVIDEND

The Directors do not recommend to declare any interim dividends for the Reporting Period (six months ended 30 June 2012: Nil).

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

Neither the Company nor any of its subsidiaries has 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 2013 to 26 August 2013 (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 consolidated 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, 26 August 2013

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.