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)

ANNOUNCEMENT OF ANNUAL RESULTS FOR THE YEAR ENDED 31 DECEMBER 2013

The board of directors (the "**Board**") of China Outfitters Holdings Limited (the "**Company**") is pleased to announce the consolidated results of the Company and its subsidiaries (collectively, the "**Group**") for the year ended 31 December 2013, together with the comparative figures for the previous year, as follows:

FINANCIAL HIGHLIGHTS

	2013 *RMB million*	2012 *RMB million*	*Changes*
REVENUE	**1,247.2**	1,407.8	(11.4%)
Gross profit	**926.6**	1,054.5	(12.1%)
Gross profit margin	***74.3%***	*74.9%*	*(0.6p.p.t.)*
Operating profit	**472.1**	579.5	(18.5%)
Operating profit margin	***37.9%***	*41.2%*	*(3.3p.p.t.)*
Profit attributable to owners of the parent	**384.0**	460.2	(16.6%)
Earnings per share — *RMB cents*	**11.14**	13.33	(16.4%)
Proposed dividends per share — *HK cents*			
Final	**7.1**	8.2	(13.4%)
Special final	**4.9**	1.8	+172.2%

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the year ended 31 December

	Notes	**2013** *RMB'000*	2012 *RMB'000*
REVENUE	5	**1,247,158**	1,407,777
Cost of sales		**(320,587)**	(353,325)
Gross profit		**926,571**	1,054,452
Other income and gains, net	5	**50,180**	45,509
Selling and distribution expenses		**(441,592)**	(443,595)
Administrative expenses		**(63,036)**	(75,426)
Other expenses		**—**	(1,424)
Operating profit		**472,123**	579,516
Finance income	6	**48,732**	45,445
Share of loss of:			
Joint venture		**(225)**	—
PROFIT BEFORE TAX	7	**520,630**	624,961
Income tax expense	8	**(136,739)**	(164,706)
PROFIT FOR THE YEAR		**383,891**	460,255
OTHER COMPREHENSIVE INCOME			
Other comprehensive income to be reclassified to profit or loss in subsequent periods:			
Exchange differences on translation of foreign operations		**(5,923)**	(145)
TOTAL COMPREHENSIVE INCOME FOR THE YEAR, NET OF TAX		**377,968**	460,110
Profit attributable to:			
Owners of the parent		**383,951**	460,246
Non-controlling interests		**(60)**	9
		383,891	460,255
Total comprehensive income attributable to:			
Owners of the parent		**378,056**	460,105
Non-controlling interests		**(88)**	5
		377,968	460,110
EARNINGS PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE PARENT	10		
Basic and diluted		**RMB11.14 cents**	RMB13.33 cents

Details of the dividends paid and proposed for the year are disclosed in note 9.

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 31 December

	Notes	2013 RMB'000	2012 RMB'000
NON-CURRENT ASSETS			
Property, plant and equipment		**128,243**	86,504
Prepaid land lease payments		**76,096**	42,230
Investment properties		**5,222**	5,405
Goodwill		**70,697**	70,697
Other intangible assets		**125,418**	67,513
Investment in a joint venture — MCS		**89,541**	—
Prepayment for lands and buildings		**29,567**	—
Deferred tax assets		**63,149**	42,832
Total non-current assets		**587,933**	315,181
CURRENT ASSETS			
Inventories	11	**376,503**	386,195
Trade and bills receivables	12	**120,022**	122,963
Prepayments, deposits and other receivables		**56,981**	56,049
Structured bank deposits	13	**928,000**	1,082,800
Pledged bank deposits		**4,263**	—
Cash and cash equivalents		**346,561**	378,894
Total current assets		**1,832,330**	2,026,901
CURRENT LIABILITIES			
Trade and bills payables	14	**31,899**	40,825
Deposits received, other payables and accruals		**128,040**	136,375
Tax payable		**165,194**	174,379
Total current liabilities		**325,133**	351,579
NET CURRENT ASSETS		**1,507,197**	1,675,322
TOTAL ASSETS LESS CURRENT LIABILITIES		**2,095,130**	1,990,503
NON-CURRENT LIABILITIES			
Deferred tax liabilities		**8,060**	19,024
Net assets		**2,087,070**	1,971,479
EQUITY			
Equity attributable to owners of the parent			
Issued capital	15	**280,661**	280,661
Reserves		**1,477,703**	1,408,968
Proposed final and special final dividends		**326,318**	279,374
		2,084,682	1,969,003
Non-controlling interests		**2,388**	2,476
Total equity		**2,087,070**	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 located at 190 Elgin Avenue, George Town, Grand Cayman KY1-9005, Cayman Islands. The address of its principal place of business is Room 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 report, the Hong Kong Special Administrative Region of the PRC or Hong Kong, the Macau Special Administrative Region of the PRC or Macau, and Taiwan), with a focus on menswear. There has been no significant change in the Group's principal activities during the year.

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 (the "BVI").

2. BASIS OF PREPARATION

These financial statements have been prepared in accordance with International Financial Reporting Standards ("IFRSs") (which include all International Financial Reporting Standards, International Accounting Standards ("IAS") and Interpretations) issued by the International Accounting Standards Board (the "IASB") and disclosure requirements of the Hong Kong Companies Ordinance.

These financial statements have been prepared under the historical cost convention. They are presented in Renminbi ("RMB") and all values are rounded to the nearest thousand except when otherwise indicated.

Basis of consolidation

The consolidated financial statements include the financial statements of the Company and its subsidiaries (collectively referred to as the "Group") for the year ended 31 December 2013. The financial statements of the subsidiaries are prepared for the same reporting period as the Company, using consistent accounting policies. The results of subsidiaries are consolidated from the date on which the Group obtains control, and continue to be consolidated until the date that such control ceases.

Profit or loss and each component of other comprehensive income are attributed to the owners of the parent of the Group and to the non-controlling interests even if this results in the non-controlling interests having a deficit balance. All intra-group assets and liabilities, equity, income, expenses and cash flows relating to transactions between members of the Group are eliminated in full on consolidation.

The Group reassesses whether or not it controls an investee if facts and circumstances indicate that there are changes to one or more of the three elements of control described in the accounting policy for subsidiaries below. A change in the ownership interest of a subsidiary, without a loss of control, is accounted for as an equity transaction.

3. CHANGES IN ACCOUNTING POLICIES AND DISCLOSURES

The Group has adopted the following new and revised IFRSs for the first time for the current year's 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*
IAS 36 Amendments	Amendments to IAS 36 *Impairment of Assets — Recoverable Amount Disclosures for Non-Financial Assets* (early adopted)
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 the new and revised IFRSs has had no significant financial effect on these financial statements.

4. 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 maker 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 financial periods 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 financial periods presented.

5. 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:

	2013	2012
	RMB'000	*RMB'000*
Revenue		
Sale of goods	**1,247,158**	1,407,777
Other income and gains, net		
Government subsidies*	**38,688**	39,313
Arrangement fees#	**2,098**	3,094
Rental income, net	**515**	322
Sale of consumables, net	**372**	2,536
Gain on disposal of items of property, plant and equipment	**—**	85
Exchange gain, net	**8,292**	—
Others	**215**	159
	50,180	45,509

* These represent incentive subsidies provided by local governments as a measure to attract investments in these localities. The amounts of these subsidies are generally determined by reference to 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 charges paid by third-party retailers when they entered into the initial retail agreements with the Group.

6. FINANCE INCOME

	2013	2012
	RMB'000	*RMB'000*
Interest income on bank deposits	**4,736**	10,237
Interest income from structured bank deposits	**43,996**	35,208
	48,732	45,445

7. PROFIT BEFORE TAX

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

	Note	**2013** *RMB'000*	2012 *RMB'000*
Cost of inventories sold		**226,762**	274,268
Depreciation:			
Property, plant and equipment		**9,162**	8,882
Investment properties		**183**	133
		9,345	9,015
Amortisation of prepaid land lease payments*		**1,753**	965
Amortisation of intangible assets*		**1,131**	249
Minimum lease payments under operating leases in respect of buildings		**10,990**	10,209
Auditors' remuneration		**2,111**	2,200
Employee benefit expenses (including directors' remuneration):			
Wages and salaries		**75,827**	59,470
Equity-settled share option expenses		**16,997**	31,928
Pension scheme contributions		**10,058**	8,956
		102,882	100,354
Reversal of provision for impairment of trade receivables	12	**(1,409)**	—
Write-down of inventories to net realisable value#		**93,825**	79,057
Foreign exchange differences, net		**(8,292)**	1,424

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

\# The write-down of inventories to net realisable value is included in "Cost of sales" in the consolidated statement of profit or loss and other comprehensive income.

8. 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 year.

In accordance with the relevant PRC income tax rules and regulations, the Group's subsidiaries registered in the PRC are subject to Corporate Income Tax ("CIT") at a statutory rate of 25% on their respective taxable income for the year ended 31 December 2013.

	2013	2012
	RMB'000	*RMB'000*
Current — PRC		
Charge for the year	**150,116**	171,479
Deferred	**(13,377)**	(6,773)
Total tax charge for the year	**136,739**	164,706

A reconciliation of the tax expense applicable to profit before tax at the statutory rate for the jurisdictions in which the Company and the majority of its subsidiaries are domiciled to the tax expense at the effective tax rate, and a reconciliation of the applicable rate (i.e. statutory tax rate) to the effective tax rate, are as follows:

	2013		2012	
	RMB'000	*%*	*RMB'000*	*%*
Profit before tax	**520,630**		624,961	
Tax charge at the statutory tax rate	**130,158**	**25**	156,240	25
Entities subject to lower statutory income tax rates	**(233)**	**—**	2,421	—
Effect of withholding tax on undistributed profits of the PRC subsidiaries	**7,125**	**1**	5,000	1
Expenses not deductible for tax	**—**	**—**	63	—
Income not subject to tax	**(435)**	**—**	—	—
Tax losses not recognised	**361**	**—**	705	—
Others	**(237)**	**—**	277	—
Tax charge at the Group's effective tax rate	**136,739**	**26**	164,706	26

None of the share of tax attributable to a joint venture (2012: Nil) is included in "Share of loss of a joint venture" in the consolidated statement of profit or loss and other comprehensive income.

9. DIVIDENDS

	2013	2012
	RMB'000	*RMB'000*
Proposed final — HK7.1 cents (2012: HK8.2 cents) per ordinary share	**191,945**	230,123
Proposed special final — HK4.9 cents (2012: HK1.8 cents) per ordinary share	**134,373**	49,251
	326,318	279,374

The proposed final dividend and special final dividends for the year are subject to the approval of the Company's shareholders at the forthcoming annual general meeting.

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 were subsequently paid in June 2013.

10. 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 year attributable to ordinary equity holders of the parent, and the weighted average number of ordinary shares of 3,445,450,000 (2012: 3,451,579,425) in issue during the year.

No adjustment has been made to the basic earnings per share amounts presented for the years ended 31 December 2013 and 2012 in respect of a dilution as the impact of the share options under the Pre-IPO Share Option Scheme outstanding had an anti-dilutive effect on the basic earnings per share amounts presented.

The calculations of basic and diluted earnings per share are based on:

	2013	2012
	RMB'000	*RMB'000*
Earnings		
Profit attributable to ordinary equity holders of the parent, used in the basic earnings per share calculation	**383,951**	460,246

	Number of shares	
	2013	2012
Shares		
Weighted average number of ordinary shares in issue during the year used in the basic earnings per share calculation	**3,445,450,000**	3,451,579,425

11. INVENTORIES

	2013 *RMB'000*	2012 *RMB'000*
Raw materials	**18,378**	17,994
Work in progress	**8,488**	9,590
Finished goods	**349,637**	358,611
	376,503	386,195

12. TRADE AND BILLS RECEIVABLES

	2013 *RMB'000*	2012 *RMB'000*
Trade receivables	**118,417**	124,120
Impairment	**—**	(1,409)
Trade receivables, net	**118,417**	122,711
Bills receivable	**1,605**	252
	120,022	122,963

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 aforementioned and the fact that the Group's trade 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 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 31 December 2012 and 2013, based on the invoice date and net of provision, and the balances of bills receivable are as follows:

	2013 *RMB'000*	2012 *RMB'000*
Trade receivables		
Within 60 days	**111,037**	118,019
61 to 90 days	**992**	895
91 to 180 days	**1,794**	1,940
181 to 360 days	**3,351**	1,857
Over 360 days	**1,243**	—
	118,417	122,711
Bills receivable	**1,605**	252
	120,022	122,963

The bills receivable are due to mature within three months.

The movements in the provision for impairment of trade receivables are as follows:

	2013	2012
	RMB'000	*RMB'000*
At 1 January	**1,409**	1,409
Impairment losses reversed *(note 7)*	**(1,409)**	—
At 31 December	**—**	1,409

The above provision for impairment of trade receivables is the full provision for individually impaired trade receivables. The individually impaired trade receivables relate to customers that were in financial difficulties or in default in payments.

The aged analysis of the trade receivables that are neither individually nor collectively considered to be impaired is as follows:

	2013	2012
	RMB'000	*RMB'000*
Neither past due nor impaired	**111,037**	118,019
1 to 180 days past due	**2,786**	2,835
181 to 360 days past due	**4,594**	1,857
	118,417	122,711

Receivables that were past due but not impaired relate to a number of independent customers that have a good track record with the Group. Based on past experience, the Directors are of the opinion that no provision for impairment is necessary in respect of these balances as there has not been a significant change in credit quality and the balances are still considered fully recoverable. Receivables that were neither past due nor impaired relate to a large number of diversified customers for whom there was no recent history of default.

13. STRUCTURED BANK DEPOSITS

	2013	2012
	RMB'000	*RMB'000*
Structured bank deposits, in licensed banks in Mainland China, at amortised cost	**928,000**	1,082,800

The structured bank deposits have terms of less than one year and are denominated in RMB.

14. TRADE AND BILLS PAYABLES

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

	2013	2012
	RMB'000	*RMB'000*
Trade payables		
Within 30 days	**22,132**	36,645
31 to 90 days	**5,019**	3,616
91 to 180 days	**129**	407
181 to 360 days	**356**	157
	27,636	40,825
Bills payable	**4,263**	—
	31,899	40,825

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

15. ISSUED CAPITAL

Shares

	2013	2012
	HK$'000	*HK$'000*
Authorised:		
1,000,000,000,000 (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 (2012: 3,445,450,000) ordinary shares of HK$0.1 each	**344,545**	344,545
Equivalent to RMB'000	**280,661**	280,661

A summary of the transactions during the year in the Company's issued ordinary share capital is as follows:

	Number of shares in issue	**Issued capital**		**Share premium account**		**Total**	
		HK$'000	*RMB'000*	*HK$'000*	*RMB'000*	*HK$'000*	*RMB'000*
At 1 January 2012	3,426,510,000	342,651	279,120	137,900	113,630	480,551	392,750
Issue of shares under over-allotment option	25,638,000	2,564	2,084	39,483	32,086	42,047	34,170
Repurchase and cancellation of shares	(6,698,000)	(670)	(543)	(9,341)	(7,574)	(10,011)	(8,117)
	3,445,450,000	344,545	280,661	168,042	138,142	512,587	418,803
Share issue expenses	—	—	—	(1,265)	(1,028)	(1,265)	(1,028)
Proposed final and special final 2012 dividends *(note 9)*	—	—	—	(166,777)	(137,114)	(166,777)	(137,114)
At 31 December 2012, 1 January 2013 and 31 December 2013	3,445,450,000	344,545	280,661	—	—	344,545	280,661

MANAGEMENT DISCUSSION AND ANALYSIS

MARKET OVERVIEW

With the slowdown of China's macro-economy, the frugality advocated by the new leadership of the central government, structural reforms as well as the sluggish external demands from major economies such as the United States and Europe, China achieved a nominal gross domestic product (GDP) growth of 7.7% for the year 2013 (2012: 7.8%), being the slowest growth rate in the past 14 years since 1999. As impacted by the continuing slackening in the macro-economy, the growth rate of the consumer market of the PRC further decelerated in 2013. According to the data of the National Bureau of Statistics of China, the total retail sales of consumer products rose 13.1% to RMB23.44 trillion in 2013, representing a fall of 1.2 percentage points from the growth rate of 14.3% in 2012. Meanwhile, according to the statistics of the National Commercial Information Center of China (CNCIC) (中華全國商業信息中心), the retail sales of apparel products by the top 50 key and large-scale retailers across the country reported a year-on-year growth of 4.1% in 2013, representing a decrease of 5.9 percentage points from the growth rate of 10.0% for the last year, in which the retail sales of apparel products accounted for 13.8% of the overall retail sales growth in 2013, representing a decline of 17.6 percentage points from 31.4% in 2012. In particular, menswear sales reported the most significant decline, with the annual retail sales in 2013 decreased by 0.6% from that of the last year.

Confronted with the complicated and volatile economic environment at home and abroad as well as the challenges from the industry, our Directors adjusted operation strategies timely after assessing the situation and paying close attention to changes in the market, so as to manage a robust business presence in the times of adversity. Despite the responsive measures adopted, it is still unlikely that we can eliminate all the adverse impact from the harsh environment. China Outfitters Holdings Limited reported a decline in results in 2013. The Group recorded revenues of RMB1,247.2 million in 2013, representing a decrease of 11.4% compared to RMB1,407.8 million for the last year. Profit attributable to owners of the parent reached RMB384.0 million, representing a decrease of 16.6% compared to RMB460.2 million for the 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 RMB160.6 million, or approximately 11.4%, from RMB1,407.8 million in 2012 to RMB1,247.2 million in 2013.

By Sales Channel

Revenue from self-operated retail sales decreased by RMB30.1 million, or 3.7 %, from RMB822.5 million in 2012 to RMB792.4 million in 2013. Revenue from sales to third-party retailers decreased by RMB130.5 million, or 22.3%, from RMB585.3 million in 2012 to RMB454.8 million in 2013. The decrease in revenue was primarily due to (i) slowdown in consumption of apparel products in the third and fourth tier cities in the PRC, especially in northern China, due to the frugality measures advocated by the new leadership of the central government; (ii) e-commerce presenting more choices to consumers in the third and fourth tier cities in the PRC, thus impacting conventional retailers; (iii) third-party retailers becoming more conservative when placing orders and making procurement as the market uncertainties increased.

Despite the extremely challenging environment of the retail market in 2013, we continued to implement the multi-channel strategy in response to the changes in consumption model as well as channel structure and we saw higher growth in sales for outlet stores and retail points in shopping malls. Revenue from outlet stores increased by RMB22.1 million, or 20.8 %, from RMB106.0 million in 2012 to RMB128.1 million in 2013. Revenue from self-operated retail points in shopping malls increased by RMB1.1 million, or 10.0%, from RMB11.0 million in 2012 to RMB12.1 million in 2013.

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:

	2013		2012	
	Revenue RMB million	***% of total revenue***	*Revenue RMB million*	*% of total revenue*
Sales from self-operated retail points	**792.4**	**63.5%**	822.5	58.4%
Sales to third-party retailers	**454.8**	**36.5%**	585.3	41.6%
Total	**1,247.2**	**100%**	1,407.8	100%

By Brand

Revenue contributed from self-owned brands accounted for approximately 4% to 5% of the total revenue for the both years indicated.

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

	2013		2012	
	Revenue RMB million	***% of total revenue***	*Revenue RMB million*	*% of total revenue*
Licensed brands	**1,195.0**	**95.8%**	1,336.2	94.9%
Self-owned brands	**52.2**	**4.2%**	71.6	5.1%
Total	**1,247.2**	**100%**	1,407.8	100%

Cost of sales

Our cost of sales decreased by RMB32.7 million, or approximately 9.3%, from RMB353.3 million in 2012 to RMB320.6 million in 2013. The decrease in cost of sales was primarily due to a mixed effect of: (i) a corresponding decrease in cost of goods sold as a result of the decrease in revenue; and partially offset by (ii) an increase in inventory provision of RMB14.7 million from RMB79.1 million in 2012 to RMB93.8 million in 2013.

Gross profit and gross profit margin

Our gross profit decreased by RMB127.9 million, or approximately 12.1%, from RMB1,054.5 million in 2012 to RMB926.6 million in 2013 as a result of the decrease in total revenue. Our overall gross profit margin remained consistent for the both years indicated.

Other income and gains, net

Our other income and gains increased by RMB4.7 million, or approximately 10.3%, from RMB45.5 million in 2012 to RMB50.2 million in 2013. The increase was primarily due to a mixed effect of: (i) a foreign exchange gain of RMB8.3 million recorded during the year as a result of the rising of the exchange rate for Renminbi against Hong Kong dollar, as compared to the foreign exchange loss of RMB1.4 million in 2012; and partially offset by (ii) a decrease in government subsidies and sales of consumables to third-party retailers.

Selling and distribution expenses

Our selling and distribution expenses decreased by RMB2.0 million, or approximately 0.5%, from RMB443.6 million in 2012 to RMB441.6 million in 2013. The decrease was primarily due to a mixed effect of: (i) a decline in concession fees for occupying concession counters within department stores as the revenue from self-operated retail points decreased; and partially offset by (ii) an increase in the cost of marketing staff due to the increase of salaries.

Administrative expenses

Our administrative expenses decreased by RMB12.4 million, or approximately 16.4%, from RMB75.4 million in 2012 to RMB63.0 million in 2013, primarily attributable to a decrease in amortization of equity-settled share option expenses under the Pre-IPO Share Option Scheme by RMB14.9 million from RMB31.9 million in 2012 to RMB17.0 million in 2013.

Other expenses

We did not incur any other expenses in 2013. Other expenses represented foreign exchange losses in 2012.

Finance income

Our finance income increased by RMB3.3 million, or approximately 7.3%, from RMB45.4 million in 2012 to RMB48.7 million in 2013 primarily due to our relatively healthy cash position in 2013.

Profit before tax

As a result of the foregoing factors, our profit before tax decreased by RMB104.4 million, or approximately 16.7%, from RMB625.0 million in 2012 to RMB520.6 million in 2013.

Income tax expense

Our income tax expenses decreased by RMB28.0 million, or approximately 17.0%, from RMB164.7 million in 2012 to RMB136.7 million in 2013, primarily attributable to a decrease in profit before tax generated by our operating entities in the PRC. The effective income tax rate in 2013 was 26.3% (2012: 26.4%).

Profit for the year

Our profit for the year decreased by RMB76.4 million, or approximately 16.6%, from RMB460.3 million in 2012 to RMB383.9 million in 2013. In addition, the decrease in the net profit margin from 32.7% in 2012 to 30.8% in 2013 was mainly due to a mixed effect of:

(i) percentage of sales from self-operated retail points increased from 58.4% in 2012 to 63.5% in 2013. The self-operated retail business incurred higher selling and distribution expenses than those of sales to third-party retailers. As a result, the percentage of selling and distribution expenses over total revenue increased from 31.5% in 2012 to 35.4% in 2013; and partially offset by

(ii) an increase in the percentage of other income and gains and finance income over total revenue from 6.5% in 2012 to 7.9% in 2013, and there was no other expenses in 2013.

Profit attributable to owners of the parent

As a result of the foregoing, profit attributable to owners of the parent decreased by RMB76.2 million, or approximately 16.6%, from RMB460.2 million in 2012 to RMB384.0 million in 2013.

Working capital management

	2013	2012
Inventory turnover days	**428**	373
Trade receivables turnover days	**35**	30
Trade payables turnover days	**39**	33

The increase in inventory turnover days by 55 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 RMB9.7 million, or 2.5%, from RMB386.2 million as at 31 December 2012 to RMB376.5 million as at 31 December 2013.

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

Liquidity, financial position and cash flow

As at 31 December 2013, we had net current assets of approximately RMB1,507.2 million, and the current ratio, being current assets divided by current liabilities, of our Group was 5.6 times.

As at 31 December 2013, we had an aggregate cash and cash equivalents, pledged bank deposits and structured bank deposits of approximately RMB1,278.9 million. Our Group did not have any bank borrowings or other financing facilities during the year. The table below sets forth selected cash flow data from our consolidated statement of cash flows:

	2013 *RMB million*	2012 *RMB million*
Net cash flows from operating activities	**327.7**	360.3
Net cash flows from/(used in) investing activities	**137.0**	(1,094.0)
Net cash flows used in financing activities	**(279.4)**	(197.4)
Net increase/(decrease) in cash and cash equivalents	**185.3**	(931.1)
Effect of foreign exchange rate changes, net	**(2.3)**	0.2
Cash and cash equivalents at the beginning of year as stated in the consolidated statement of cash flows	**104.8**	1,036.0
Cash and cash equivalents at the end of year as stated in the consolidated statement of cash flows	**287.8**	104.8
Add: time deposits with original maturity of over three months when acquired	**63.0**	274.1
Less: time deposits with original maturity of less than three months when acquired, pledged as security for issuing bank acceptance notes	**(4.3)**	—
Cash and cash equivalents as stated in the consolidated statement of financial position	**346.5**	378.9

Operating activities

Net cash flows from operating activities decreased by RMB32.6 million, or approximately 9.0% from RMB360.3 million in 2012 to RMB327.7 million in 2013 which was primarily attributable to (i) the operating cash inflows before changes in working capital of RMB593.8 million (2012: RMB700.6 million); and (ii) changes in working capital representing a decrease of cash of RMB266.1 million (2012: RMB340.3 million).

Investing activities

Net cash flows of investing activities changed from an outflow of RMB1,094.0 million in 2012 to an inflow of RMB137.0 million in 2013, which was primarily attributable to:

(i) recovery of structured bank deposits investment and time deposits, resulting in a net cash inflows from investing activities of RMB365.9 million; and partially offset by

(ii) an annual capital expenditures for brand acquisitions, lands and buildings and the construction of logistic center in Shanghai of approximately RMB266.8 million.

Financing activities

Net cash flows used in financing activities increased from RMB197.4 million in 2012 to RMB279.4 million in 2013, which was primarily attributable to the payment of dividends of RMB279.4 million (2012: RMB204.1 million).

Pledge of assets

As at 31 December 2013, save for the bank deposits of RMB4.3 million which were pledged for issuance of bank acceptance notes, no asset of our Group was pledged as a security for bank borrowings or any other financing facilities.

Capital commitments and contingent liability

Capital commitments for the construction of the logistic center of the Group in Shanghai were RMB61.6 million and capital commitments for the purchase of a parcel of land in Dezhou, Shandong Province were RMB3.8 million as at 31 December 2013.

There was no significant contingent liability for the Group as at 31 December 2013.

Foreign exchange management

We conduct business primarily in Hong Kong and the PRC with most of our transactions denominated and settled in Hong Kong dollar ("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.

Use of proceeds from the IPO

The shares of the Company were listed on 9 December 2011 on the Stock Exchange. The total net proceeds from the IPO amounted to approximately HK$803.9 million (equivalent to approximately RMB654.8 million), including the net proceeds from the partial exercise of the over-allotment option on 30 December 2011.

In 2013, an aggregate of HK$188.0 million (equivalent to RMB149.3 million) was used for the acquisition of the intellectual property rights of Artful Dodger and Zoo York brands in the PRC, Hong Kong, Macau and Taiwan (the "Greater China Region"), royalty for the licence of Maxim's brand in the PRC and 50% interest in the intellectual property rights of MCS brand in the Greater China Region. In addition, an aggregate of HK$106.6 million (equivalent to RMB84.2 million) was used for the acquisition of a parcel of land in Shanghai, a warehouse in Jinan, Shandong Province and the construction of our logistic center in Shanghai.

The table below sets forth the utilisation of the net proceeds from the IPO and the unused amount as at 31 December 2013. All 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 31 December 2013)** *(HK$ million)*	**Unutilised amount (as at 31 December 2013)** *(HK$ million)*
Licensing or acquisition of additional recognized international brands	47%	380.7	188.0	192.7
Expansion and enhancement of existing logistical system	24%	193.1	106.6	86.5
Settlement of shareholder's loan	19%	152.8	147.1	5.7
General working capital	10%	77.3	—	77.3
	100%	803.9	441.7	362.2

OPERATIONS REVIEW

Although the sales and profits for companies operating in China's men's casual wear market were significantly slashed during the year amid the slowdown of growth in macro-economy, the frugality policy advocated by the new leadership of the central government and the impact of e-commerce on conventional retail stores, we believe the retail market for men's casual wear in the PRC will continue to flourish in the medium-to-long term. The middle-class population of Mainland China is 230 million currently, and the number is forecast to grow to 630 million in ten years time. The continuous growing of the middle-class population presents enormous opportunities to the Group. In view of the foregoing, we increased our investments in respects of branding, logistics, warehousing and supply chains, with an aim to further increase our competitive edge and once the retail market of China resumes its rapid growth we will benefit from our investments made.

Retail and distribution network

We made a remarkable effort to adjust and optimize our sales network in 2013. For new brands such as Jeep Lady, Manhattan and Maxim's, we expanded their sales network by opening new retail points. Meanwhile, we closed down some retail points that were loss-making or had low profitability. The purpose of these initiatives is to lay a solid foundation for the continuous development of our brands through a well-managed sales network.

The following table sets forth the number of our self-operated retail points and retail points operated by our third-party retailers in the PRC by brand as at 31 December 2013 and 2012:

	2013			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	**219**	**524**	**743**	197	486	683
— lady	**56**	**32**	**88**	46	29	75
Santa Barbara Polo & Racquet Club ("SBPRC")	**193**	**141**	**334**	192	189	381
London Fog	**69**	**18**	**87**	72	59	131
Others	**52**	**—**	**52**	42	—	42
Total	**589**	**715**	**1,304**	549	763	1,312

Self-operated retail points

- Self-operated concession counters: as at 31 December 2013 and 2012, we had a network of 575 and 535, respectively, which were directly operated by us. All of our self-operated concession counters are located within mainstream department stores, including Bailian (百聯), Wangfujing (王府井), Silver Plaza (銀座), Golden Eagle (金鷹), Parkson (百盛), Dashang (大商), MOI (茂業) and Wanda (萬達).

- Self-operated stores: as at 31 December 2013 and 2012, we had a network of 14 and 14, 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

During the year, we engaged 14 new third-party retailers for our Jeep products, 5 for our SBPRC products and 4 for our Jeep Lady products.

We had also engaged professional advisors to provide training and guidance to our third-party retailers in the trade fair conferences aiming to improve their product 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 to 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 in 2013 included the followings:

- We entered into an agreement in respect of the acquisition of intellectual property rights of "Artful Dodger" and "Zoo York" trademarks in the Greater China Region at the end of 2012, and the acquisition was completed during the year;

- We entered into a letter of intent with Mr. David Chu, a world renowned designer and founder of "Nautica" and pursuant to which we intend to engage in design, manufacturing and sales of apparel products and accessories under the "LINCS" brand in the Greater China Region. LINCS is a high-end designer's brand created by Mr. David Chu. The brand pursues a delicate and elegant style. Its products are made with quality fabric of rich texture into simple slim tailoring with exquisite craftsmanship, yet sold at a reasonable price, which reflects the natural, elegant, understated and stately features of the LINCS brand;

- We acquired the 50% interest in the intellectual property rights of the "MCS" trademarks in the Greater China Region during the year through an acquisition of the 50% equity interest in MCS Apparel Hong Kong Limited. Subsequent to the acquisition on 25 November 2013, the joint venture will engage in design, manufacturing and sales of apparel and accessories under the MCS brand in the Greater China Region. The history of the MCS dates back to the 1970s, when it began with Marlboro Country Stores. Over the past 40 years of development, it has become an apparel brand that merges the unique lifestyle of western America and Italian design and traditional craftsmanship to create a "rugged and refined" brand image. Our Directors believe the investment in the joint venture will, through the combination of the extensive experience in design, marketing and global supply chains of the MCS Italian team with the Group's profound knowledge of the market and consumers in the PRC, cultivate the MCS brand to be a leading brand in the mid-to-high-end men's casual wear market of China;

- We completed the market research and brand positioning for Manhattan and Maxim's and launched the first fall/winter season products of the two brands in the second half of 2013. As at 31 December 2013, we had a retail network comprising 9 and 8 self-operated retail points for each of the Manhattan and Maxim's brands in mainstream department stores in the first and second tier cities in the PRC;

- A parcel of land in Shanghai acquired during the year will be used as our Group's research and development and product display center; and

- Online marketing was an important marketing initiative for the year. The official Tencent Wechat for each of our brands was launched with an aim to increase interaction and communication with our target customers through providing dressing advice, posting promotional information and displaying product images.

Production and supply chain

One of our priorities in 2013 was to increase investments in warehouses and logistic centres, and optimizing the existing logistic resources to further improve the efficiency of our supply chains. We commenced the construction of our logistic center in Shanghai during the year, which will be completed and put into use in the second half of 2014. The gross floor area of the new logistic center is expected to reach 55,000 square meters and will significantly enhance our operation efficiency in warehousing, product distribution and logistics. Moreover, the purchase of a new warehouse in Jinan, Shandong Province improved our logistics operation in northern China region. In addition, the optimization of existing warehousing and logistics resources during the year improved our responses to the distribution requirements of our e-commerce business as well as conventional retail operations.

Employee information

As at 31 December 2013, the Group had approximately 2,842 full-time employees. Staff costs, including Directors' remuneration, totalled RMB102.9 million during the year.

Our Company also operated a share option scheme (the "Share Option Scheme") and a pre-IPO share option scheme (the "Pre-IPO Share Option Scheme") for the purpose of providing incentives and rewards to eligible participants for their contribution to, and continuing efforts to promote the interests of our Group. A total of 199,224,000 options under the Pre-IPO Share Option Scheme that granted to 19 participants (including 8 directors), were outstanding as at 31 December 2013.

Corporate social responsibility

Being a responsible citizen is a core fundamental of our culture. During the year, we continued to participate in the sponsorship of the "I Fly" rural teachers training sessions organized by the Chinese Red Cross Foundation and Cui Yongyuan Commonweal Foundation for the purpose of supporting China's rural education. A total donation of RMB0.2 million was made by the Group to the programs in 2013.

Prospects

The management will continue to focus on the following key objectives for 2014:

- We will continue to implement a multi-brand strategy and seize the market opportunities, in order to increase our overall market share in the menswear market in China and ensure our sustainable growth. As at the date of this announcement,

  — We entered into a shareholders' agreement with Mr. David Chu and Century China Holdings Limited on 28 January 2014, pursuant to which we will engage in the design, manufacturing and sales of apparel products and accessories under the "LINCS" brand in the Greater China Region. Mr. David Chu will personally serve as the design director of "LINCS" and be in charge of the design of apparel products and accessories of LINCS;

  — We entered into a licensing agreement with J. Barbour & Sons Limited on 14 February 2014 which grants us the right to design, manufacture and sell products under the "Barbour" brand in Mainland China starting in 2014. The history of Barbour, a brand granted with 3 British Royal Warrants, dates back to 1894. Over the past 120 years, it has always been overwhelmingly popular worldwide with its consistently high quality waxed cotton jackets;

  — We completed a shareholders' agreement with Mr. Nicholas Tse on 14 March 2014, pursuant to which we will engage in the design, manufacturing and sales of apparel products and accessories under the "Zoo York" brand in the Greater China Region. Mr. Nicholas Tse is one of the shareholders and creative collaborators of the Zoo York brand.

  We plan to launch the first spring/summer season products of MCS and Jeep Spirit, a sub-line of Jeep targeting at younger customer group, in the first half of 2014, and the first fall/winter season products of Barbour, LINCS and Zoo York in the second half of 2014. The Directors of our Company believe the introduction of these new brands will further enrich our brand portfolio and generate synergies with our existing brands, and therefore further strengthen our presence in the mid-to-high-end men's casual wear market of China.

- We will continue to implement our multi-channel strategy and focus on adjusting and optimizing our sales network which includes expansion of the retail network of outlet stores and retail points within shopping malls, developing e-commerce business and actively exploration of a business model that allows the integration and interaction of on-line and off-line resources;

- Cost will continue to be managed through meticulous operational management and optimisation and standardization of procedures;
- A parcel of land acquired in the second half of 2011 in Shanghai will be used to construct our Group's logistic center in Shanghai. The construction of the logistic center commenced in 2013 and is scheduled to be completed and put into use in the second half of 2014. The gross floor area of the new logistic center is expected to reach 55,000 square meters and will significantly increase our operation efficiency in warehousing, distribution and logistics; and
- A parcel of land acquired in 2013 in Shanghai will be used as our Group's research and development and product display center. The construction of this centre is expected to commence in the second half of 2014.

FINAL DIVIDENDS

The Board proposed to declare a final dividend of HK7.1 cents per share (2012: HK8.2 cents per share), and a special final dividend of HK4.9 cents (2012: HK1.8 cents) for the year ended 31 December 2013.

Subject to the approval at the annual general meeting of the Company (the "AGM") to be held on 12 May 2014, the final and special dividends will be payable to the shareholders on 30 May 2014.

COMPLIANCE WITH THE MODEL CODE

The Company has adopted the Model Code for Securities Transactions by Directors of Listed Issuers (the "Model Code") as set out in Appendix 10 to the Rules Governing the Listing of Securities on the Stock Exchange of Hong Kong Limited (the "Listing Rules"). Having made specific enquiry, the Company confirmed that all the Directors have complied with the required standards set out in the Model Code.

CORPORATE GOVERNANCE

The Board believes that high corporate governance standards are essential in providing a framework for the Company to safeguard the interests of shareholders and to enhance corporate value and accountability.

The Board is of the view that throughout the year ended 31 December 2013, the Company has complied with all the code provisions as set out in the Corporate Governance Code contained in Appendix 14 of the Listing Rules.

PURCHASE, REDEMPTION OR SALE OF SHARES OF THE COMPANY

Neither the Company, nor any of its subsidiaries purchased, redeemed or sold any of the Company's listed securities during the year ended 31 December 2013.

AUDIT COMMITTEE

The audit committee has discussed with management internal controls and financial reporting matters related to the preparation of the consolidated financial statements for the year ended 31 December 2013. It has also reviewed the said consolidated financial statements in conjunction with the Company's external auditors.

REVIEW OF THE ANNUAL RESULTS ANNOUNCEMENT BY AUDITORS

The figures in respect of the annual announcement of the Group's results for the year ended 31 December 2013 have been agreed by the Group's auditors, Ernst & Young, to the amounts set out in the Group's consolidated financial statements for the year. The work performed by Ernst & Young in this respect did not constitute an assurance engagement in accordance with Hong Kong Standards on Auditing, Hong Kong Standards on Review Engagements or Hong Kong Standards on Assurance Engagements issued by the Hong Kong Institute of Certified Public Accountants and consequently no assurance has been expressed by Ernst & Young on the results announcement.

ANNUAL GENERAL MEETING AND OTHER INFORMATION

Date of the AGM of the Company and the information relating to relevant record dates for purpose of attending the AGM or dividend entitlements will be announced in due course.

PUBLICATION OF THE ANNUAL RESULTS ANNOUNCEMENT AND ANNUAL REPORT

This result announcement is published on the website of the Company at *www.cohl.hk* and Hong Kong Exchanges and Clearing Limited at *www.hkexnews.hk*. The 2013 Annual Report and the Notice of AGM will be despatched to the shareholders of the Company and available on the same websites on or about 4 April 2014.

CHANGE OF ADDRESS OF HONG KONG BRANCH SHARE REGISTRAR AND TRANSFER OFFICE

With effect from 31 March 2014, the Hong Kong branch share registrar and transfer office of the Company, Tricor Investor Services Limited, will change its address from 26/F, Tesbury Centre, 28 Queen's Road East, Wanchai, Hong Kong to Level 22, Hopewell Centre, 183 Queen's Road East, Hong Kong.

By Order of the Board
China Outfitters Holdings Limited
LO Peter
Chairman

Hong Kong, 24 March 2014

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