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 2014

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 2014, together with the comparative figures for the previous year, as follows:

FINANCIAL HIGHLIGHTS

	Year ended 31 December		
	2014	2013	
	RMB million	*RMB million*	Changes
REVENUE	**1,094.3**	1,247.2	(12.3%)
Gross profit	**765.5**	926.6	(17.4%)
Gross profit margin	***70.0%***	*74.3%*	*(4.3 p.p.t.)*
Operating profit	**275.5**	472.1	(41.6%)
Operating profit margin	***25.2%***	*37.9%*	*(12.7 p.p.t.)*
Profit attributable to owners of the parent	**203.6**	384.0	(47.0%)
Basic earnings per share *(RMB cents)*	**5.91**	11.14	(47.0%)
Dividends per share *(HK cents)*			
Final			
— Basic	**3.7**	7.1	(47.9%)
— Special	**—**	4.9	(100%)
Full year			
— Basic	**3.7**	7.1	(47.9%)
— Special	**12.0**	4.9	144.9%

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND COMPREHENSIVE INCOME

For the year ended 31 December

	Notes	2014 RMB'000	2013 RMB'000
REVENUE	5	**1,094,327**	1,247,158
Cost of sales		**(328,789)**	(320,587)
Gross profit		**765,538**	926,571
Other income and gains, net	5	**30,424**	50,180
Selling and distribution costs		**(454,304)**	(441,592)
Administrative expenses		**(53,410)**	(63,036)
Other expenses		**(12,726)**	—
Operating profit		**275,522**	472,123
Finance income	6	**55,137**	48,732
Finance costs	7	**(7,512)**	—
Share of loss of:			
Joint venture		**(3,590)**	(225)
PROFIT BEFORE TAX	8	**319,557**	520,630
Income tax expense	9	**(116,646)**	(136,739)
PROFIT FOR THE YEAR		**202,911**	383,891
OTHER COMPREHENSIVE INCOME			
Other comprehensive income to be reclassified to profit or loss in subsequent periods:			
Exchange differences on translation of foreign operations		**5,505**	(5,923)
TOTAL COMPREHENSIVE INCOME FOR THE YEAR, NET OF TAX		**208,416**	377,968
Profit attributable to:			
Owners of the parent		**203,607**	383,951
Non-controlling interests		**(696)**	(60)
		202,911	383,891
Total comprehensive income attributable to:			
Owners of the parent		**209,111**	378,056
Non-controlling interests		**(695)**	(88)
		208,416	377,968
EARNINGS PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE PARENT			
Basic and diluted	11	**RMB5.91 cents**	RMB11.14 cents

Details of the dividends proposed and paid for the year are disclosed in note 10.

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 31 December

	Notes	2014 RMB'000	2013 RMB'000
NON-CURRENT ASSETS			
Property, plant and equipment		**207,367**	128,243
Prepaid land lease payments		**88,136**	76,096
Investment properties		**4,945**	5,222
Goodwill		**70,697**	70,697
Other intangible assets		**112,697**	125,418
Investments in joint ventures		**117,824**	89,541
Prepayment for lands and buildings		**—**	29,567
Deferred tax assets		**94,928**	63,149
Total non-current assets		**696,594**	587,933
CURRENT ASSETS			
Inventories	12	**409,361**	376,503
Trade and bills receivables	13	**128,955**	120,022
Prepayments, deposits and other receivables		**76,153**	56,981
Derivative financial assets		**2,243**	—
Structured bank deposits	14	**707,700**	928,000
Pledged bank deposits		**432,098**	4,263
Cash and cash equivalents		**190,154**	346,561
Total current assets		**1,946,664**	1,832,330
CURRENT LIABILITIES			
Interest-bearing bank borrowings	15	**646,827**	—
Trade and bills payables	16	**53,986**	31,899
Deposits received, other payables and accruals		**116,172**	128,040
Tax payable		**150,783**	165,194
Total current liabilities		**967,768**	325,133
NET CURRENT ASSETS		**978,896**	1,507,197
TOTAL ASSETS LESS CURRENT LIABILITIES		**1,675,490**	2,095,130
NON-CURRENT LIABILITIES			
Deferred tax liabilities		**38,438**	8,060
Net assets		**1,637,052**	2,087,070
EQUITY			
Equity attributable to owners of the parent			
Issued capital	17	**280,661**	280,661
Shares held for share award scheme		**(3,669)**	—
Reserves		**1,254,380**	1,477,703
Proposed final and special final dividends	10	**101,804**	326,318
		1,633,176	2,084,682
Non-controlling interests		**3,876**	2,388
Total equity		**1,637,052**	2,087,070

1. CORPORATE INFORMATION

The Company was incorporated in the Cayman Islands on 7 March 2011 as an exempted company with limited liability under the Companies Law, Cap. 22 (Law 3 of 1961, as consolidated and revised) of the Cayman Islands. The registered office of the Company is located at 190 Elgin Avenue, George Town, Grand Cayman KY1-9005, Cayman Islands. The address of its principal place of business is room 1303, 13/F, New East Ocean Centre, 9 Science Museum Road, Tsim Sha Tsui East, Kowloon, Hong Kong. The shares of the Company were listed on the Main Board of The Stock Exchange of Hong Kong Limited (the "Stock Exchange") on 9 December 2011 (the "Listing Date").

The principal activity of the Company is investment holding. The Group is principally engaged in the business of design, manufacture, marketing and sale of apparel products and accessories in the People's Republic of China (the "PRC", or 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"). These financial statements also comply with the applicable requirements of the Hong Kong Companies Ordinance which concern the preparation of financial statements, which for this financial year and the comparative period continue to be those of the predecessor Companies Ordinance (Cap. 32), in accordance with transitional and saving arrangements for Part 9 of the Hong Kong Companies Ordinance (Cap. 622), "Accounts and Audit", which are set out in sections 76 to 87 of Schedule 11 to that Ordinance.

These financial statements have been prepared under the historical cost convention, except for derivative financial instruments which have been measured at fair value. These financial statements 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 for the year ended 31 December 2014. The financial statements of the subsidiaries are prepared for the same reporting period as the Company, using consistent accounting policies. The results of subsidiaries and a trust ("the Share Award Scheme Trust"), a controlled special purpose entity, 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.

The Board has approved a share award schemes (the "Share Award Scheme") to provide incentives to employees of the Group and to retain and encourage employees for the continual operation and development of the Group. Pursuant to the rules of the Share Award Scheme, the Group has set up the Share Award Scheme Trust for the purpose of administering the Share Award Scheme and holding the award shares before they vest. As the Group has the power to govern the financial and operating policies of the Share Award Scheme Trust and derives benefits from the contributions of the Group, the Group is required to consolidate the Share Award Scheme Trust under IAS 27 (Revised) *Separate Financial Statements*.

3. CHANGES IN ACCOUNTING POLICIES AND DISCLOSURES

The Group has adopted the following revised standards and new interpretation for the first time for the current year's financial statements.

Amendments to IFRS 10, IFRS 12 and IAS 27 (2011)	*Investment Entities*
Amendments to IAS 32	*Offsetting Financial Assets and Financial Liabilities*
Amendments to IAS 36	*Recoverable Amount Disclosures for Non-Financial Assets*
Amendments to IAS 39	*Novation of Derivatives and Continuation of Hedge Accounting*
IFRIC 21	*Levies*
Amendment to IFRS 2 included in *Annual Improvements 2010–2012 Cycle*	*Definition of Vesting Condition*[1]
Amendment to IFRS 3 included in *Annual Improvements 2010–2012 Cycle*	*Accounting for Contingent Consideration in a Business Combination*[1]
Amendment to IFRS 13 included in *Annual Improvements 2010–2012 Cycle*	*Short-term Receivables and Payables*
Amendment to IFRS 1 included in *Annual Improvements 2011–2013 Cycle*	*Meaning of Effective IFRSs*

[1] Effective from 1 July 2014

Except that certain presentation and disclosure of financial statement items have been revised, the adoption of these revised standards and new interpretation did not have any significant effect on the financial position or performance of the Group.

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 years 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:

	2014	2013
	RMB'000	*RMB'000*
Revenue		
Sale of goods	**1,094,327**	1,247,158
Other income and gains, net		
Government subsidies*	**26,958**	38,688
Arrangement fees#	**328**	2,098
Rental income, net	**793**	515
Sale of consumables, net	**88**	372
Fair value gains, net:		
Derivative instruments — transactions not qualifying as hedges	**2,243**	—
Exchange gain, net	**—**	8,292
Others	**14**	215
	30,424	50,180

* 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

	2014	2013
	RMB'000	*RMB'000*
Interest income on bank deposits	**10,929**	4,736
Interest income on structured bank deposits	**44,208**	43,996
	55,137	48,732

7. FINANCE COSTS

	2014	2013
	RMB'000	*RMB'000*
Interest on bank loans	**7,512**	—

8. PROFIT BEFORE TAX

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

	2014 *RMB'000*	2013 *RMB'000*
Cost of inventories sold	**214,101**	226,762
Depreciation:		
Property, plant and equipment	**9,585**	9,162
Investment properties	**277**	183
	9,862	9,345
Amortisation of prepaid land lease payments*	**1,892**	1,753
Amortisation of intangible assets*	**1,572**	1,131
Minimum lease payments under operating leases in respect of buildings	**14,111**	10,990
Auditors' remuneration	**2,197**	2,111
Employee benefit expenses (including directors' remuneration):		
Wages and salaries	**85,948**	75,827
Equity-settled share option expenses	**9,318**	16,997
Transfer of share option reserve upon the forfeiture of share options	**(9,579)**	—
Pension scheme contributions	**11,275**	10,058
	96,962	102,882
Reversal of provision for impairment of trade receivables	**—**	(1,409)
Impairment of other intangible assets^	**11,500**	—
Fair value gains, net:		
Derivative instruments — transactions not qualifying as hedges	**(2,243)**	—
Write-down of inventories to net realisable value#	**114,688**	93,825
Foreign exchange differences, net	**1,226**	(8,292)

* 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 impairment of other intangible assets is included in "Other 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.

9. INCOME TAX EXPENSE

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

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

No provision for Hong Kong profits tax has been made as the Group had no assessable profits derived from or earned in Hong Kong during the 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 2014.

	2014	2013
	RMB'000	*RMB'000*
Current — PRC		
Charge for the year	**118,047**	150,116
Deferred	**(1,401)**	(13,377)
Total tax charge for the year	**116,646**	136,739

A reconciliation of the income tax expense applicable to profit before tax at the statutory rate for the jurisdiction 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:

	2014		2013	
	RMB'000	*%*	*RMB'000*	*%*
Profit before tax	**319,557**		520,630	
Tax charge at the statutory tax rate	**79,889**	**25**	130,158	25
Entities subject to lower statutory income tax rates	**(101)**	**—**	(2,976)	(1)
Effect of withholding tax on undistributed profits of the PRC subsidiaries	**30,000**	**9**	7,125	1
Effect of withholding tax on services fee	**1,797**	**1**	2,742	1
Income not subject to tax	**—**	**—**	(435)	—
Loss attributable to joint ventures	**897**	**—**	—	—
Tax losses not recognised	**4,118**	**2**	361	—
Others	**46**	**—**	(236)	—
Tax charge at the Group's effective tax rate	**116,646**	**37**	136,739	26

No share of tax attributable to a joint venture (2013: Nil) is included in "Share of loss of a joint venture" in the consolidated statement of profit or loss and other comprehensive income.

10. DIVIDENDS

	2014	2013
	RMB'000	*RMB'000*
Final dividend proposed of HK3.7 cents (2013: HK7.1 cents) per ordinary share	**101,804**	191,945
No special final dividend proposed (2013: HK4.9 cents) per ordinary share	**—**	134,373
	101,804	326,318

On 25 August 2014, the Board declared a special dividend of HK12.0 cents per share, in the amount of RMB330,369,000, for the six months ended 30 June 2014 (six months ended 30 June 2013: Nil).

The proposed final dividend for the year is 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 2013 on ordinary shares of RMB326,318,000 were approved by shareholders of the Company at the annual general meeting on 12 May 2014 and were subsequently paid on 30 May 2014.

11. 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 (2013: 3,445,450,000) in issue during the year.

No adjustment has been made to the basic earnings per share amounts presented for the years ended 31 December 2014 and 2013 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:

	2014	2013
	RMB'000	*RMB'000*
Earnings		
Profit attributable to ordinary equity holders of the parent, used in the basic earnings per share calculation	**203,607**	383,951

	Number of shares	
	2014	2013
Shares		
Weighted average number of ordinary shares in issue during the year used in the basic earnings per share calculation	**3,445,450,000**	3,445,450,000

12. INVENTORIES

	2014	2013
	RMB'000	*RMB'000*
Raw materials	**15,855**	18,378
Work in progress	**9,307**	8,488
Finished goods	**384,199**	349,637
	409,361	376,503

13. TRADE AND BILLS RECEIVABLES

	2014	2013
	RMB'000	*RMB'000*
Trade receivables	**123,742**	118,417
Impairment	**—**	—
Trade receivables, net	**123,742**	118,417
Bills receivable	**5,213**	1,605
	128,955	120,022

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 2013 and 2014, based on the invoice date and net of provision, and the balances of bills receivable are as follows:

	2014	2013
	RMB'000	*RMB'000*
Trade receivables		
Within 60 days	**117,127**	111,037
61 to 90 days	**1,763**	992
91 to 180 days	**2,032**	1,794
181 to 360 days	**2,262**	3,351
Over 360 days	**558**	1,243
	123,742	118,417
Bills receivable	**5,213**	1,605
	128,955	120,022

The bills receivable are due to mature within three months.

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

	2014	2013
	RMB'000	*RMB'000*
At 1 January	**—**	1,409
Impairment losses reversed	**—**	(1,409)
At 31 December	**—**	—

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

	2014	2013
	RMB'000	*RMB'000*
Neither past due nor impaired	**117,127**	111,037
1 to 180 days past due	**3,857**	2,786
181 to 360 days past due	**2,758**	4,594
	123,742	118,417

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.

14. STRUCTURED BANK DEPOSITS

	2014 *RMB'000*	2013 *RMB'000*
Structured bank deposits, in licensed banks in PRC at amortised cost	**707,700**	928,000

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

The structured bank deposits of RMB275,200,000 are pledged to secure the short term bank loans of RMB268,169,000 at 31 December 2014.

15. INTEREST-BEARING BANK BORROWINGS

	2014		
	Effective interest rate *(%)*	**Maturity**	***RMB'000***
Current			
Interest-bearing bank loans — secured *(USD)**	**3.25%**	**2015**	**120,808**
Interest-bearing bank loans — secured *(HKD)**	**HIBOR +1.8%– HIBOR +2.33%**	**2015**	**526,019**
Total:			**646,827**

* *These bank borrowings are secured by RMB denominated structured bank deposits and pledged bank deposits placed with financial institutions in China of RMB275.2 million and RMB401.6 million as at 31 December 2014.*

The Group did not have any interest-bearing bank borrowings as at 31 December 2013.

The pledged deposits for securing the bank borrowings were included in "Structured bank deposits" and "Pledged bank deposits" in the consolidated statement of financial position as at 31 December 2014.

	2014 *RMB'000*	2013 *RMB'000*
Analysed into:		
Within one year and denominated in HK$	**526,019**	—
Within one year and denominated in US$	**120,808**	—
	646,827	—

The Group has the following undrawn banking facilities:

	2014 *RMB'000*	2013 *RMB'000*
At floating rate	**110,442**	—

16. TRADE AND BILLS PAYABLES

An aged analysis of the trade payables as at 31 December 2013 and 2014, based on the invoice date, and the balances of bills payable are as follows:

	2014	2013
	RMB'000	*RMB'000*
Trade payables		
Within 30 days	**36,517**	22,132
31 to 90 days	**11,315**	5,019
91 to 180 days	**395**	129
181 to 360 days	**809**	356
	49,036	27,636
Bills payable	**4,950**	4,263
	53,986	31,899

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

17. ISSUED CAPITAL

Shares	**2014**	2013
	HK$'000	*HK$'000*
Authorised:		
1,000,000,000,000 (2013: 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 (2013: 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 year.

MANAGEMENT DISCUSSION AND ANALYSIS

MARKET OVERVIEW

The continuous slowdown of China's macro-economy, the austerity advocated by the new leadership of the central government as well as the structural reforms of economic development model have posed a huge challenge to the retail industry in which the Group operates. In addition to the weak customer sentiment, the apparel market in China has been evolving very quickly and entering into a transformative phase. New technologies are revolutionizing the consumption behavior of the Chinese consumers and the way retailers running their businesses. The competition amongst the retailers has been intensifying, whilst the Chinese consumers has become increasingly sophisticated, hence demanding better quality yet value for money products and services. Thus the retailers are searching for ways to better adapt to the changing landscape.

Confronted with the complicated and volatile economic environment and the increasing competitive market place, the Group adjusted its operation strategy timely with a focus on enriching brand portfolio, optimizing of retail and distribution network, launching e-commerce strategy, increasing spending on marketing and promotions and increasing investments in supply chains improvements. Despite the responsive measures taken, it's unlikely that the Group can eliminate all adverse impact from the harsh environment. The Group reported decline in revenue by 12.3% from RMB1,247.2 million in 2013 to RMB1,094.3 million in 2014 and decline in profit attributable to owners of the parent by 47.0% from RMB384.0 million in 2013 to RMB203.6 million in 2014.

FINANCIAL REVIEW

Revenue

The Group recorded revenue of RMB1,094.3 million in 2014 representing a decrease by RMB152.9 million, or approximately 12.3% as compared to RMB1,247.2 million in 2013.

By sales channel

Revenue from self-operated retail sales decreased by RMB47.3 million, or 6.0%, from RMB792.4 million in 2013 to RMB745.1 million in 2014 and accounted for approximately 68.1% (2013: 63.5%) of total revenue. The decrease in revenue was primarily due to the decrease in customer traffic flows in mainstream department stores in the first to second tier cities where a majority of our self-operated retail points are located, which led to a decrease in same store sales by 8.9%. Despite the decrease in retail sales through self-operated retail points, we remain committed to our multi-channel strategy in response to the evolving consumption behavior and we saw higher growth in sales from outlet stores. Revenue from outlet stores increased by RMB18.7 million, or 14.6%, from RMB128.1 million in 2013 to RMB146.8 million in 2014.

Revenue from sales to third-party retailers decreased by RMB127.5 million, or 28.8%, from RMB442.3 million in 2013 to RMB314.8 million in 2014 and accounted for approximately 28.8% (2013: 35.5%) of total revenue. The decrease in revenue was primarily attributable to (i) the decrease in retail points operated by third-party retailers as they became more conservative under the current sluggish retail market; (ii) the austerity advocated by the new leadership of the central government led to decrease in gift card purchasing, especially in north China and third to fourth tier cities where a majority of our third-party retailers operate; and (iii) e-commerce presenting more choices to consumers in the third and fourth tier cities in China, thus impacting conventional retailers.

We launch our e-commerce business for selling off-season products online in 2013, and our progress in this regard has been encouraging. Revenue from e-commerce business increased by RMB21.9 million, or 175.2%, from RMB12.5 million in 2013 to RMB34.4 million in 2014 and accounted for approximately 3.1% (2013: 1.0%) of total revenue. The increase in revenue from e-commerce business was primarily attributable to (i) the increase in sales from online discount platform such as VIP shop, from RMB1.7 million in 2013 to RMB12.8 million in 2014; and (ii) increase in sales from online third-party retailers, from RMB8.6 million in 2013 to RMB17.4 million in 2014, as more online-retailers are developed.

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

	Year ended 31 December			
	2014		2013	
	Revenue *RMB million*	**% of total revenue**	Revenue *RMB million* (restated)	% of total revenue (restated)
Retail sales from self-operated retail points	**745.1**	**68.1%**	792.4	63.5%
Sales to third-party retailers	**314.8**	**28.8%**	442.3	35.5%
Sales from e-commerce business	**34.4**	**3.1%**	12.5	1.0%
Total	**1,094.3**	**100.0%**	1,247.2	100.0%

By Brand

Revenue contributed from self-owned brands increased by RMB9.0 million, or approximately 17.2%, from RMB52.2 million in 2013 to RMB61.2 million in 2014. Percentage of revenue from self-owned brands over total revenue has increased from 4.2% in 2013 to 5.6% in 2014. Revenue from our new brands such as London Fog, Jeep Spirit, MCS, etc., which were introduced into the PRC menswear market after 2009, increased by RMB11.2 million, or approximately 10.4%, from RMB108.0 million in 2013 to RMB119.2 million in 2014. Percentage of revenue from new brands over total revenue has increased from 8.7% in 2013 to 10.9% in 2014.

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

	Year ended 31 December			
	2014		2013	
	Revenue *RMB million*	**% of total revenue**	Revenue *RMB million*	% of total revenue
Licensed brands	**1,033.1**	**94.4%**	1,195.0	95.8%
Self-owned brands	**61.2**	**5.6%**	52.2	4.2%
Total	**1,094.3**	**100.0%**	1,247.2	100.0%

Cost of sales

Our cost of sales increased by RMB8.2 million, or approximately 2.6%, from RMB320.6 million in 2013 to RMB328.8 million in 2014. The increase in cost of sales was primarily due to a mixed effect of an increase in inventory provision by RMB20.9 million from RMB93.8 million in 2013 to RMB114.7 million in 2014; and partially offset by a decrease in cost of inventories sold by RMB12.7 million from RMB226.8 million in 2013 to RMB214.1 million in 2014 as a result of the decrease in revenue.

Gross profit and gross profit margin

Our gross profit decreased by RMB161.1 million, or approximately 17.4%, from RMB926.6 million in 2013 to RMB765.5 million in 2014 as a result of the decrease in total revenue and increase in cost of sales. Our overall gross profit margin decreased from 74.3% in 2013 to 70.0% in 2014 primarily because the increase in inventory provisions and save for the provisions, our overall gross profit margin would increase to 80.4% in 2014 which was largely consisted with 81.8% for 2013.

Other income and gains, net

Our other income and gains decreased by RMB19.8 million, or approximately 39.4%, from RMB50.2 million in 2013 to RMB30.4 million in 2014, primarily due to (i) the receipt of subsidy income decreased by RMB11.7 million from RMB38.7 million in 2013 to RMB27.0 million in 2014; and (ii) the appreciation of RMB against HK$ resulted in an exchange gain of RMB8.3 million in 2013 (2014: Nil). The Group had entered into various forward contracts with the banks for the purpose of hedging exchange risk arising from the Group's short-term bank loans denominated in United States dollar and Hong Kong dollar. Gains in change in fair value of the derivative instruments of RMB2.2 million were recognized as other gains during the year.

Selling and distribution costs

Our selling and distribution costs increased by RMB12.7 million, or approximately 2.9%, from RMB441.6 million in 2013 to RMB454.3 million in 2014.

Rents and concession fees for occupying concession counters within department stores and department store charges decreased by RMB7.0 million, or approximately 2.5%, from RMB277.3 million in 2013 to RMB270.3 million in 2014, which were largely in line with the decrease in sales from self-operated retail points.

The increase of labour costs relate to sales and marketing staff from RMB66.7 million in 2013 to RMB77.3 million in 2014 was primarily attributable to the increase in sales and marketing staff due to the increase in number of self-operated retail points, as well as increment in basic salary.

Advertising and promotion expenses increased from RMB11.8 million in 2013 to RMB15.3 million in 2014 primarily because more promotion activities were organised and increased marketing spending on advertising on fashion magazines and expressway billboards.

Other selling and distribution costs, including royalty fees, consumable and decoration fees and other operating expenses remained consisted for both years indicated.

Administrative expenses

Our administrative expenses decreased by RMB9.6 million, or approximately 15.2%, from RMB63.0 million in 2013 to RMB53.4 million in 2014, primarily due to the decrease in amortization of share option expense under the Pre-IPO share option scheme by RMB17.3 million; partially offset by the increase in depreciation and amortization, professional service fees and other operating expenses by RMB7.7 million primarily due to the expansion in operations.

Other expenses

Other expenses represented an exchange loss of RMB1.2 million due to the depreciation of RMB against Hong Kong dollar during the year and one-off impairment on trademarks — London Fog of RMB11.5 million.

Finance income

Our finance income increased to RMB55.1 million in 2014 as compared to that of RMB48.7 million in 2013, representing an increase by 13.1%, primarily due to the increase in rate of return for the structured bank deposits and pledged bank deposits that we placed in banks.

Finance costs

The Group obtained short-term bank loans from financial institutions in Hong Kong and PRC. Finance costs of RMB7.5 million (2013: Nil) represented bank interest expenses incurred in relation to the above bank loans in 2014.

Share of losses from a joint venture

The Group acquired 50% equity interest in MCS Apparel Hong Kong Limited ("MCS HK", together with its subsidiaries hereinafter referred to as the "MCS JV") in November 2013. MCS JV owns the intellectual property rights of "MCS" trademarks in PRC, Hong Kong, Macau and Taiwan (collectively, the "Greater China Region"). The Group accounted for its investment in MCS HK as an investment in a joint venture and equity method was adopted to account for the profit or loss generated by the joint venture. MCS JV is primarily engaged in the retail sales of "MCS" apparel and accessories in Hong Kong and Macau through its self-operated retail points and wholesale sales of "MCS" apparel and accessories to the Group and third-party retailers for their onward sales to ultimate consumers in PRC. In 2014, the Group recorded share of losses from the joint venture of RMB3.6 million (2013: RMB0.2 million) which included pickup of losses of RMB6.4 million (2013: RMB0.2 million) in retail business in Hong Kong and Macau and pickup of profits of RMB2.8 million (2013: Nil) in wholesale business in PRC.

Profit before tax

As a result of the foregoing factors, our profit before tax decreased by RMB201.0 million, or approximately 38.6%, from RMB520.6 million in 2013 to RMB319.6 million in 2014.

Income tax expense

Income tax expense decreased by RMB20.1 million, or approximately 14.7%, from RMB136.7 million in 2013 to RMB116.6 million in 2014 primarily due to the mixed effect of (i) decrease in current income tax by RMB32.1 million, or approximately 21.4%, from RMB150.1 million in 2013 to RMB118.0 million in 2014 due to decrease in profit before tax; and offset by (ii) the decrease in deferred tax income primarily due to the withholding tax on distributable profits of the subsidiaries in PRC of RMB25.0 million with respect to the special dividend paid in September 2014. The effective income tax rate in 2014 was 36.5% (2013: 26.3%).

Profit for the year

Based on the foregoing, profit for the year decreased by RMB181.0 million, or approximately 47.1%, from RMB383.9 million in the 2013 to RMB202.9 million in 2014. In addition, the net profit margin decreased from 30.8% to 18.5% due to:

(i) decrease in gross profit margin from 74.3% to 70.0% primarily because the increase in inventory provisions against obsolete inventories;

(ii) decrease in percentage of other income and gains over total revenue from 4.0% to 2.8% due to the decrease in government subsidies and exchange gains; and

(iii) increase in percentage of selling and distribution costs over total revenue from 35.4% to 41.5% because the percentage of sales from self-operated retail points increased from 63.5% to 68.1% while percentage of sales to third-party retailers decreased from 35.5% to 28.8%. The self-operated retail business incurred higher selling and distribution expenses than those of wholesale business to third-party retailers.

Profit attributable to owners of the parent

As a result of the foregoing, profit attributable to owners of the parent decreased by RMB180.4 million, or approximately 47.0%, from RMB384.0 million in 2013 to RMB203.6 million in 2014.

Working Capital Management

	31 December 2014	31 December 2013
Inventory turnover days	**430**	428
Trade receivables turnover days	**40**	35
Trade payables turnover days	**42**	39

The turnover days for working capitals were largely consistent for both years indicated. Particularly, the inventory turnover days had improved by 17 days from 447 days for the first half of 2014 to 430 days for the full year. The slight increase in turnover days of trade receivables by 5 days was mainly because the increase in percentage of self-operated retail business whose credit period was longer than that for third-party retailers which we offer cash on delivery terms to them.

Liquidity, financial position and cash flows

As at 31 December 2014, we had net current assets of approximately RMB978.9 million, as compared to RMB1,507.2 million as at 31 December 2013. The current ratio, being current assets divided by current liabilities, of our Group was 2.0 as at 31 December 2014, as compared to that of 5.6 as at 31 December 2013.

As at 31 December 2014, the Group had secured banking facilities of RMB757.2 million and undrawn banking facilities of RMB110.4 million.

As at 31 December 2014, we had an aggregate cash and cash equivalents, pledged bank deposits and structured bank deposits of approximately RMB1,330.0 million. The table below sets forth selected cash flow data from our consolidated statement of cash flows:

	Year ended 31 December	
	2014	2013
	RMB million	*RMB million*
Net cash flows from operating activities	**100.8**	327.7
Net cash flows from investing activities	**236.1**	137.0
Net cash flows used in financing activities	**(430.2)**	(279.4)
Net increase/(decrease) in cash and cash equivalents	**(93.3)**	185.3
Effect of foreign exchange rate changes, net	**4.9**	(2.3)
Cash and cash equivalents at the beginning of the year	**287.8**	104.8
Cash and cash equivalents at the end of the year	**199.4**	287.8

Operating activities

Net cash flows from operating activities decreased by RMB226.9 million from RMB327.7 million in 2013 to RMB100.8 million in 2014 which was primarily attributable to (i) the operating cash inflows before changes in working capital of RMB412.5 million (2013: RMB593.7 million); and (ii) changes in working capital represented decrease in cash of RMB311.7 million (2013: RMB266.0 million). The increase in changes in working capital by RMB45.7 million was primarily due to the increase in cash outflows from change in inventories by RMB69.7 million from RMB84.1 million in 2013 to RMB153.8 million in 2014.

Investing activities

Net cash flows from investing activities of RMB236.1 million in 2014 mainly represented withdrawal of structured bank deposits and short-term bank deposits of RMB279.4 million and receipt of interest income of RMB55.1 million, partially offset by the purchase of the new office in Hong Kong and investments in logistics centers in Shanghai and Dezhou, Shandong Province, of RMB97.1 million, and an investment in the joint venture business — Henry Cotton's of RMB17.5 million.

Financing activities

Net cash flows used in financing activities mainly represented payment of 2013 final dividends and special dividends of RMB326.3 million (2013: RMB279.4 million), 2014 special dividends of RMB330.4 million and increase in pledged bank deposits of RMB418.9 million partially offset by the proceeds of RMB646.8 million received from new short-term bank loans.

Pledge of group assets

As at 31 December 2014, structured bank deposits of RMB275.2 million and short-term bank deposits of RMB401.6 million have been pledged as security for obtaining banking facilities of the Group. The Group also pledged short-term bank deposits of RMB30.5 million for forward contracts and issuance of bank acceptance notes.

Capital commitments and contingent liabilities

Capital commitments for the construction of the logistic center of the Group in Shanghai were RMB14.1 million as at 31 December 2014.

The Group did not have any significant contingent liabilities as at 31 December 2014.

Foreign exchange management

We conduct business primarily in Hong Kong and PRC with most of our transactions denominated and settled in Hong Kong dollar and RMB. To minimise foreign exchange risks, the Group has a hedging policy in place.

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 2014, an aggregate of HK$88.7 million (equivalent to RMB69.9 million) was used for the construction of the logistic centers in Shanghai and Dezhou, Shandong Province and an investment in a joint venture — Henry Cotton's.

The table below sets forth the utilisation of the net proceeds from the IPO and the unused amount as at 31 December 2014. All the unused proceeds were deposited into licensed banks in PRC and Hong Kong:

Use of fund raised

	Percentage to total amount	**Net proceeds** *(HK$ million)*	**Utilised amount as at 31 December 2014** *(HK$ million)*	**Unutilised amount as at 31 December 2014** *(HK$ million)*
Licensing or acquisition of additional recognised international brands	47%	380.7	210.2	170.5
Expansion and enhancement of existing logistical system	24%	193.1	173.1	20.0
Settlement of shareholder's loan	19%	152.8	147.1	5.7
General working capital	10%	77.3	—	77.3
	100%	803.9	530.4	273.5

OPERATION REVIEW

Retail and distribution network

As at 31 December 2014, our sales network comprised a total of 627 self-operated retail points, including concession counters, consignment stores and self-operated stores, and 654 retail points operated by our third-party retailers.

The following table sets forth the number of our self-operated retail points and retail points operated by our third-party retailers in PRC by brand as at 31 December 2014 and 31 December 2013:

	As at 31 December 2014			As at 31 December 2013		
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	**205**	**511**	**716**	219	524	743
— Spirit*	**74**	**21**	**95**	56	32	88
SBPRC	**196**	**118**	**314**	193	141	334
London Fog	**59**	**4**	**63**	69	18	87
MCS	**29**	**—**	**29**	—	—	—
Others	**64**	**—**	**64**	52	—	52
Total	**627**	**654**	**1,281**	589	715	1,304

* *including 71 and 88 retail points of Jeep lady as at 31 December 2014 and 31 December 2013, respectively*

Self-operated retail points

As at 31 December 2014, we had a network of 611 self-operated concession counters (31 December 2013: 575 self-operated concession counters). A majority of the concession counters are located within mainstream department stores in the first and second tier cities in China, including Parkson (百盛), Golden Eagle (金鷹), MOI (茂業), Intime (銀泰), Wangfujing (王府井), etc., among which a total of 110 were outlet stores as at 31 December2014 (31 December 2013: 87 outlet stores).

As at 31 December 2014, we had a network of 16 stores (31 December 2013: 14 stores) which were located in shopping malls within major cities in the PRC to ensure a steady flow of consumers as well as to enhance our sales and brand awareness.

Faced with challenging market conditions and evolving consumer behavior, the Group has made the following adjustments to its strategy for self-operated retail points:

- optimisation of store network for existing mature brands such as Jeep menswear and Santa Barbara Polo & Racquet Club ("SBPRC") with a focus on store profitability and closing retail points that were loss-marking or with low performance in 2014;
- a net increase by 23 outlet stores in response to changes in consumer behavior and rapid sales growth in outlet store channel;
- opening 33 new retail points for the development of our new brands, Barbour, LINCS, Manhattan, Maxim's and Zoo York, in 2014; and

- transferring 14 retail points from the previous retailer, which was engaged in the sale and distribution of "MCS" branded apparel products and accessories in PRC prior to 1 April 2014, to the Group and opened 15 new retail points in 2014.

Retail points operated by third-party retailers

Under the current uncertain and ever-changing market conditions, our third-party retailers became more restrained and conservative in placing orders and opening new stores. As at 31 December 2014, we had a total of 654 retail points that were operated by third-party retailers, representing a decrease by 8.5% as compared to that of 715 at 31 December 2013.

E-commerce

The Group launched e-commerce business in 2013 to sell off-season products through online sales channel. In 2014, the Group has actively organised sales fairs on online discount platform such as VIP shop, developed new online third-party retailers for online retailing of the Group's products and increased sales from the Group's self-operated e-shop on Tmall.com.

Branding

The Group continued to use its multi-brand strategy as the key to its development. In 2014, the Group's spending on marketing and promotion which comprised advertising, public relations, events, online and digital marketing, visual merchandising, and celebrity endorsement increased to 1.4% of total revenue during the year:

MCS

The priority for the MCS brand is to increase its brand awareness and enhance its brand image amongst target customers. In addition to regular in-store promotions organized by department stores, our marketing initiatives on MCS includes sponsorship of a cuisine program on Channel Young TV in Shanghai, advertising on mainstream fashion magazines such as GQ and Bazaar, as well as placing billboards at the Jingshen (京沈) and Huhang (滬杭) expressways, etc.

In-store shopping experience has also played an important role in enhancement of the brand. In line with MCS global branding strategy, we are working closely with the MCS Italian team for launching a new store concept in PRC that features with wallpaper, fixtures, and décor accentuating the MCS brand heritage of "rugged and refined" and "real man".

During the year, we have also launched a nationwide VIP card programme for the MCS brand. The VIP card holders enjoy a discount for each purchase of MCS products and special discounts on selected holidays.

LINCS

The Group entered into a shareholders' agreement with Mr. David Chu and Century China Holdings Limited on 28 January 2014, pursuant to which the Group would engage in the design, manufacturing and sale of apparel and accessories under the "LINCS" brand in the Greater China Region starting from 2014. Mr. David Chu, founder of the well-known casual wear brand "Nautica", would personally serve as the design director of "LINCS" and would be in charge of the design of the products.

On 13 February 2014, "LINCS" participated in the New York Fashion Week, and held its fashion show at Mr. David Chu's studio at Flariton in Manhattan to present the new line. The fashion show was covered by leading fashion media in PRC and the United States.

Barbour

On 14 February 2014, the Group entered into a licensing agreement with J. Barbour & Sons Limited, which grants the right to design, manufacture and sell products under the "Barbour" brand in PRC starting from 2014.

The year of 2014 is the 120 anniversary of Barbour. The Group launched a series of marketing campaigns to bring the brand with rich British heritage and continuing service to the British Monarchy to the PRC market.

Zoo York

We completed a shareholders' agreement with Mr. Nicholas Tse on 14 March 2014, pursuant to which the Group, through a subsidiary, would 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 in the subsidiary and a creative collaborator of the Zoo York brand.

Design and product development

In addition to typical ways of developing design concepts that include reading fashion periodicals, participating fashion weeks and data analyses on consumer behavior, our design team also kept abreast of the latest trends and developments in new designs, through our collaboration with the global top designers Mr. David Chu, Barbour's experienced designers who have a long history of serving the British Monarch, talented MCS design team in Italy as well as fashion icons including Mr. Nicholas Tse.

Production and supply chain

During the year, we continued to increase investments in warehouses and logistic centres, and optimizing the existing logistic resources to further improve supply chain efficiency. We completed the acquisition of the additional warehousing and logistic premise in Dezhou, Shandong province. The construction of the logistic centre in Shanghai with a total gross floor area of 55,000 square meters will be completed and operational in the first half of 2015.

Employee information

As at 31 December 2014, the Group had approximately 2,788 full-time employees. Staff costs, including Directors' remuneration, totalled RMB97.0 million in 2014 (2013: RMB102.9 million).

The Company also operated a share option scheme (the "Share Option Scheme") and a pre-IPO share option scheme (the "Pre-IPO Share Option Scheme") for the purpose of providing incentives and rewards to eligible participants for their contribution to, and continuing efforts to promote the interests of our Group. A total of 168,024,000 options under the Pre-IPO Share Option Scheme that granted to 17 participants (including 7 directors), were outstanding as at 31 December 2014.

Corporate Social Responsibility

Being a responsible corporate citizen is core fundamentals of our culture. The Group participated in the sponsorship of the "I Fly" rural teachers training sessions organized by the Chinese Red Cross Foundation and Cui Yongyuan Commonweal Foundation (崔永元公益基金) for the purpose of supporting China's rural education. In 2014, the Group also participated the sponsorship of an animal protection program organized by the Beijing Loving Animals Foundation (北京愛它動物保護公益基金). A total donation of approximately RMB0.1 million was made by the Group to the above programs in 2014.

Prospects

Management will continue to focus on the following key objectives for 2015:

- In line with our multi-brand strategy, the Group will seek opportunities to further diversify its brand portfolio and increase the portion of revenue from self-owned brands. We plan to introduce the first fall/winter products of our new brand Henry Cotton's in the third quarter of 2015;

- The Group will increase spending on marketing and promotion that comprises consumer studies, advertising, public relations, events, online and digital marketing, visual merchandising, and celebrity endorsement to enhance interaction with the customers and to raise brand awareness among our target customers;

- The Group will continue to commit to its multi-channel strategy and place great emphasis on expanding our outlet store network. E-commerce is also a priority of our sales channel strategy, and in 2015 the Group will seek to develop more online third-party retailers for online retailing of the Group's products and will actively participate in sales fairs organised by online discount platform;

- The Group's self-developed O2O system has been deployed by all self-operated retail points and retail points operated by major third-party retailers. We will continue to leverage of the system for quick response to ultimate consumers' demands and reduce the level of our inventories;

- We will continue to leverage of experience from the operation of our own production facilities in Dezhou, Shandong Province and increase bargaining power on negotiation of favorable trading terms with our third-party manufacturers;

- The Group's logistic centre in Shanghai will be operational in the first half of 2015. With the new logistics centre being put into use, product distribution between logistic centre and retail points nationwide will be more accurate, thus improving supply chain efficiency. The construction of the Group's research and development and product display center in Shanghai will also be commenced in the first half of 2015.

FINAL DIVIDENDS

The Board proposed to declare a final dividend of HK3.7 cents per share (2013: final dividend of HK7.1 cents per share and special final dividend of HK4.9 cents per share) for the year ended 31 December 2014. Subject to the approval at the annual general meeting of the Company (the "AGM") to be held on 18 May 2015, the final dividend will be payable to the shareholders on 5 June 2015.

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 2014, 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.

COMPLIANCE WITH THE DEED OF NON-COMPETITION

During the year, none of the controlling shareholders of CEC Outfitters Limited, Vinglory Holdings Limited and Mr. Zhang Bruce Yongfu, nor any of their respective associates is a director or a shareholder of any business apart from the business of the Group which competes or likely to compete, either directly or indirectly, with the business of the Group.

PURCHASE, REDEMPTION OR SALE OF SHARES OF THE COMPANY

The Share Award Scheme was approved by the Board on 4 November 2014. To facilitate the implementation of the Share Award Scheme, a trust deed is entered into by the Group and South Zone Holding Limited (the "Trustee") pursuant to which the Trustee shall purchase and hold shares for the benefit of certain employees of the Group and any subsidiary and in such manner as the Board may determine from time to time. The Trustee purchased 4,762,000 shares of the Company at a total cost (including related transaction costs) of HK$4,525,000 (equivalent to RMB3,669,000) during the year ended 31 December 2014.

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 2014. 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 2014 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 2014 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 16 April 2015.

APPRECIATION

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

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

Hong Kong, 23 March 2015

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. Wang Wei and Mr. Lin Yang; and the independent non-executive Directors are Mr. Kwong Wilson Wai Sun, Mr. Cui Yi and Mr. Yeung Chi Wai.