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中國服飾控股有限公司
CHINA OUTFITTERS HOLDINGS LIMITED

(Incorporated in the Cayman Islands with limited liability)

(Stock Code: 1146)

INTERIM RESULTS ANNOUNCEMENT FOR THE SIX MONTHS ENDED 30 JUNE 2015

The board of directors (the "**Board**") of China Outfitters Holdings Limited (the "**Company**") is pleased to announce the unaudited consolidated interim results of the Company and its subsidiaries (collectively, the "**Group**") for the six months ended 30 June 2015, together with the comparative figures for the corresponding period in 2014, as follows:

FINANCIAL HIGHLIGHTS

	Six months ended 30 June		
	2015	2014	
	RMB million	*RMB million*	*Changes*
	(Unaudited)	(Unaudited)	
REVENUE	**526.6**	542.0	(2.8%)
Gross profit	**384.1**	389.7	(1.4%)
Gross profit margin	***72.9%***	*71.9%*	*+1.0 p.p.t.*
Operating profit	**118.4**	150.9	(21.5%)
Operating profit margin	***22.5%***	*27.8%*	*(5.3 p.p.t.)*
Profit attributable to owners of the parent	**95.7**	101.6	(5.8%)
Basic earnings per share *(RMB cents)*	**2.78**	2.95	(5.8%)
Special dividends per share *(HK cents)*	—	12	(100%)

INTERIM CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the six months ended 30 June 2015

		For the six months ended 30 June	
		2015	2014
	Notes	***RMB'000***	*RMB'000*
		(Unaudited)	(Unaudited)
REVENUE	4	**526,576**	541,996
Cost of sales		**(142,440)**	(152,294)
Gross profit		**384,136**	389,702
Other income and gains, net	4	**11,737**	14,873
Selling and distribution costs		**(243,323)**	(210,452)
Administrative expenses		**(25,184)**	(28,935)
Other expenses		**(9,015)**	(14,316)
Operating profit		**118,351**	150,872
Finance income	5	**24,565**	28,190
Finance costs	6	**(6,806)**	(1,042)
Share of profits/(losses) of joint ventures		**351**	(1,000)
PROFIT BEFORE TAX	7	**136,461**	177,020
Income tax expense	8	**(41,808)**	(75,499)
PROFIT FOR THE PERIOD		**94,653**	101,521
OTHER COMPREHENSIVE INCOME			
Exchange differences on translation of foreign operations		**127**	167
TOTAL COMPREHENSIVE INCOME FOR THE PERIOD, NET OF TAX		**94,780**	101,688
Profit attributable to:			
Owners of the parent		**95,710**	101,560
Non-controlling interests		**(1,057)**	(39)
		94,653	101,521
Total comprehensive income attributable to:			
Owners of the parent		**95,843**	101,719
Non-controlling interests		**(1,063)**	(31)
		94,780	101,688
EARNINGS PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE PARENT			
Basic and diluted	10	**RMB2.78 cents**	RMB2.95 cents

Details of the dividend proposed and paid for the period are disclosed in note 9.

INTERIM CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION
As at 30 June 2015

	Notes	**30 June 2015** *RMB'000* **(Unaudited)**	31 December 2014 *RMB'000* (Audited)
NON-CURRENT ASSETS			
Property, plant and equipment		**217,817**	207,367
Prepaid land lease payments		**87,104**	88,136
Investment properties		**4,798**	4,945
Goodwill		**70,697**	70,697
Other intangible assets		**111,878**	112,697
Investments in joint ventures		**113,119**	117,824
Deferred tax assets		**101,423**	94,928
Total non-current assets		**706,836**	696,594
CURRENT ASSETS			
Inventories	11	**410,937**	409,361
Trade and bills receivables	12	**117,809**	128,955
Prepayments, deposits and other receivables		**65,233**	76,153
Derivative financial instruments		**—**	2,243
Structured bank deposits	13	**414,428**	707,700
Pledged bank deposits		**423,929**	432,098
Cash and cash equivalents		**161,005**	190,154
Total current assets		**1,593,341**	1,946,664
CURRENT LIABILITIES			
Short-term bank loans	14	**378,533**	646,827
Trade and bills payables	15	**32,712**	53,986
Derivative financial instruments		**2,517**	—
Deposits received, other payables and accruals		**99,901**	116,172
Tax payable		**151,374**	150,783
Total current liabilities		**665,037**	967,768
NET CURRENT ASSETS		**928,304**	978,896
TOTAL ASSETS LESS CURRENT LIABILITIES		**1,635,140**	1,675,490
NON-CURRENT LIABILITIES			
Deferred tax liabilities		**5,802**	38,438
Net assets		**1,629,338**	1,637,052

INTERIM CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION (CONTINUED)

As at 30 June 2015

	Notes	**30 June 2015** *RMB'000* **(Unaudited)**	31 December 2014 *RMB'000* (Audited)
EQUITY			
Equity attributable to owners of the parent			
Issued capital	16	**280,661**	280,661
Shares held for share award scheme		**(6,045)**	(3,669)
Reserves		**1,351,909**	1,254,380
Proposed final and special final dividends	9	**—**	101,804
		1,626,525	1,633,176
Non-controlling interests		**2,813**	3,876
Total equity		**1,629,338**	1,637,052

1. CORPORATE INFORMATION

The Company was incorporated in the Cayman Islands on 7 March 2011 as an exempted company with limited liability under the Companies Law, Cap. 22 (Law 3 of 1961, as consolidated and revised) of the Cayman Islands. The registered office of the Company is 190 Elgin Avenue, George Town, Grand Cayman KY1-9005, Cayman Islands. The address of its principal place of business is 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, manufacturing, marketing and sale of apparel products and accessories in the People's Republic of China (the "PRC", or China which excludes, for the purpose of this announcement, the Hong Kong Special Administrative Region of the PRC or Hong Kong, the Macau Special Administrative Region of the PRC or Macau, and Taiwan), with a focus on menswear. There has been no significant change in the Group's principal activities during the six months ended 30 June 2015 (the "Relevant Period").

In the opinion of the directors of the Company (the "Directors"), as at the date of this announcement, the immediate holding company and the ultimate holding company of the Company are CEC Outfitters Limited and China Enterprise Capital Limited, respectively, which were incorporated in the British Virgin Islands (the "BVI").

2. BASIS OF PREPARATION AND ACCOUNTING POLICIES

Basis of preparation

These interim condensed consolidated financial statements of the Group during the Relevant Period have been prepared in accordance with the applicable disclosure requirements of Appendix 16 to the Rules Governing the Listing of Securities on the Stock Exchange of Hong Kong Limited (the "Listing Rules") and International Accounting Standard ("IAS") 34 Interim Financial Reporting issued by the International Accounting Standards Board.

These interim condensed consolidated financial statements are presented in Renminbi ("RMB") and all values are rounded to the nearest thousand except when otherwise indicated. These interim condensed consolidated financial statements do not include all information and disclosures required in the Group's annual consolidated financial statements, and should be read in conjunction with the Group's annual consolidated financial statements for the year ended 31 December 2014.

Significant accounting policies

The accounting policies adopted in the preparation of the interim condensed consolidated financial statements are consistent with those followed in the preparation of the Group's annual financial statements for the year ended 31 December 2014, except for the adoption of the new or revised standards, interpretation and amendments as of 1 January 2015, noted below:

Amendments to IAS 19	Defined benefit plans: Employee contributions
Annual Improvements 2010–2012 Cycle	Amendments to a number of IFRSs
Annual Improvements 2011–2013 Cycle	Amendments to a number of IFRSs

The adoption of the above new or revised standards, interpretation and amendments has had no material financial effect on the accounting policies of the Group and the methods of computation in the interim condensed consolidated financial statements.

The Group has not early adopted any other standard, interpretation or amendment that has been issued but is not yet effective.

3. OPERATING SEGMENT INFORMATION

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

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

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

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

4. REVENUE AND OTHER INCOME AND GAINS, NET

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

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

	Six months ended 30 June	
	2015	2014
	RMB'000	*RMB'000*
	(Unaudited)	(Unaudited)
Revenue		
Sale of goods	**526,576**	541,996
Other income and gains, net		
Government subsidies*	**10,423**	14,112
Arrangement fees#	**350**	139
Rental income, net	**612**	433
Sale of consumables, net	**54**	50
Others	**298**	139
	11,737	14,873

* These represent incentive subsidies provided by local governments as a measure to attract investment in these localities. The amounts of these subsidies are generally determined by reference to the value-added tax, corporate income tax, city maintenance and construction tax and other taxes paid by the Group's operating entities in these localities, but are subject to the government's further discretion.

These represent the one-off fees paid by third-party retailers when they enter into initial retail agreements with the Group.

5. FINANCE INCOME

	Six months ended 30 June	
	2015	2014
	RMB'000	*RMB'000*
	(Unaudited)	(Unaudited)
Interest income on bank deposits	**876**	445
Interest income from structured bank deposits	**23,689**	27,745
	24,565	28,190

6. FINANCE COSTS

	Six months ended 30 June	
	2015	2014
	RMB'000	*RMB'000*
	(Unaudited)	(Unaudited)
Interest on bank loans	**6,806**	1,042

7. PROFIT BEFORE TAX

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

	Six months ended 30 June	
	2015	2014
	RMB'000	*RMB'000*
	(Unaudited)	(Unaudited)
Cost of inventories sold	**106,444**	102,062
Depreciation		
Property, plant and equipment	**5,228**	4,504
Investment properties	**146**	197
	5,374	4,701
Employee benefit expenses (including directors' remuneration):		
Wages and salaries	**48,110**	42,704
Equity-settled share option expenses	**1,686**	5,205
Pension scheme contributions	**6,275**	5,842
	56,071	53,751
Amortisation of prepaid land lease payments*	**1,023**	858
Amortisation of other intangible assets*	**786**	786
Impairment of other intangible assets^	**—**	11,500
Write-down of inventories to net realisable value#	**35,996**	50,232
Foreign exchange differences, net	**1,973**	1,684

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

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

^ The impairment of other intangible assets is included in “Other expenses” in the interim condensed 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 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 Relevant Period.

In accordance with the relevant PRC income tax rules and regulations, the Group’s subsidiaries incorporated/ registered in the PRC are subject to Corporate Income Tax (“CIT”) at a statutory rate of 25% on their respective taxable income for the Relevant Period and the six-month period ended 30 June 2014.

	Six months ended 30 June	
	2015	2014
	RMB’000	*RMB’000*
	(Unaudited)	(Unaudited)
Current — PRC		
Charge for the period	**46,456**	66,018
Deferred	**(4,648)**	9,481
Total tax charge for the period	**41,808**	75,499

9. DIVIDEND

The final dividends for the year ended 31 December 2014 on ordinary shares of RMB101,804,000 were approved by shareholders of the Company at the annual general meeting on 18 May 2015 and were subsequently paid on 5 June 2015.

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 Relevant Period attributable to ordinary equity holders of the parent of RMB95,710,000 (six months ended 30 June 2014: RMB101,560,000) and the weighted average number of ordinary shares of 3,440,181,967 (six months ended 30 June 2014: 3,445,450,000) in issue during the Relevant Period.

No adjustment has been made to the basic earnings per share amounts presented for the Relevant Period in respect of a dilution as the share options under Pre-IPO Share Option Scheme (defined below) outstanding had an anti-dilutive effect on the basic earnings per share amounts presented.

	Six months ended 30 June	
	2015	2014
	RMB’000	*RMB’000*
	(Unaudited)	(Unaudited)
Earnings		
Profit attributable to ordinary equity holders of the parent, used in the basic earnings per share calculation	**95,710**	101,560

	Number of shares Six months ended 30 June 2015	2014
Shares		
Weighted average number of ordinary shares in issue	**3,445,450,000**	3,445,450,000
Weighted average number of shares purchased for the Share Award Scheme	**(5,268,033)**	—
Adjusted weighted average number of ordinary shares in issue used in the basic earnings per share calculation	**3,440,181,967**	3,445,450,000

11. INVENTORIES

	30 June 2015 *RMB'000* (Unaudited)	31 December 2014 *RMB'000* (Audited)
Raw materials	**13,290**	15,855
Work in progress	**9,600**	9,307
Finished goods	**388,047**	384,199
	410,937	409,361

12. TRADE AND BILLS RECEIVABLES

The Group's trading terms with its customers are mainly on credit, except for third-party retailers, where payment in advance is normally required. The credit period normally ranges from 30 to 90 days. The Group grants a longer credit period to those long-standing customers with good payment history.

Each customer has a maximum credit limit. The Group seeks to maintain strict control over its outstanding receivables. Overdue balances are reviewed regularly by senior management.

In view of the fact that the Group's trade and bills receivables relate to a large number of diversified customers, there is no significant concentration of credit risk. The Group does not hold any collateral or other credit enhancements over these balances.

Trade receivables are unsecured, non-interest-bearing and the carrying amounts of the trade and bills receivables approximate to their fair values.

An aged analysis of the trade receivables as at 30 June 2015 and 31 December 2014, based on the invoice date and net of provision and the balances of bills receivable, is as follows:

	30 June 2015 *RMB'000* **(Unaudited)**	31 December 2014 *RMB'000* (Audited)
Trade receivables		
Within 60 days	**109,220**	117,127
61 to 90 days	**1,364**	1,763
91 to 180 days	**2,269**	2,032
181 to 360 days	**2,124**	2,262
Over 360 days	**673**	558
	115,650	123,742
Bills receivable	**2,159**	5,213
	117,809	128,955

13. STRUCTURED BANK DEPOSITS

	30 June 2015 *RMB'000* **(Unaudited)**	31 December 2014 *RMB'000* (Audited)
Structured bank deposits, in licensed banks in PRC at amortised cost	**414,428**	707,700

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

No structured bank deposit is pledged to secure the short-term bank loans as at 30 June 2015. (31 December 2014: RMB275,200,000)

14. SHORT-TERM BANK LOANS

	30 June 2015 *RMB'000* **(Unaudited)**	31 December 2014 *RMB'000* (Audited)
Short-term Bank Loans	**378,533**	646,827

Short-term loans outstanding as of 30 June 2015 represent HK$ denominated bank borrowings of HK$480,000,000, obtained from financial institutions in Hong Kong. These bank borrowings are secured by RMB denominated pledged bank deposits placed with financial institutions in China of RMB401,564,000 as at 30 June 2015. Pledged deposits were classified as "Pledged bank deposits" on the interim condensed consolidated statement of financial position as at 30 June 2015. The short-term bank borrowings are repayable on demand and bear interest at rate of HongKong InterBank Offered Rate ("HIBOR") plus 1.80%.

15. TRADE AND BILLS PAYABLES

An aged analysis of the trade payables as at 30 June 2015 and 31 December 2014, based on the invoice date, and the balances of bills payable, is as follows:

	30 June 2015 *RMB'000* **(Unaudited)**	31 December 2014 *RMB'000* (Audited)
Trade payables		
Within 30 days	**16,861**	36,517
31 to 90 days	**12,465**	11,315
91 to 180 days	**919**	395
181 to 360 days	**1,988**	809
over 360 days	**382**	—
	32,615	49,036
Bills payable	**97**	4,950
	32,712	53,986

The trade payables are non-interest-bearing and are normally settled on terms of 30 to 45 days. The bills payable are all due within 60 days.

16. ISSUED CAPITAL

	30 June 2015 *HK$'000* **(Unaudited)**	31 December 2014 *HK$'000* (Audited)
Authorised:		
1,000,000,000,000 (31 December 2014: 1,000,000,000,000) ordinary shares of HK$0.1 each	**100,000,000**	100,000,000
Issued and fully paid:		
3,445,450,000 (31 December 2014: 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 Relevant Period.

MANAGEMENT DISCUSSION AND ANALYSIS

MARKET OVERVIEW

The Relevant Period continued to be challenging. Amid the continuous slowdown of China's macro-economy, demonstrated by the weakest Gross Domestic Product growth rate ("GDP") of 7.0% for the past 25 years since 1990. The total retail sales of consumer products only increased by 10.4% in the Relevant Period, representing a fall by 1.7 percentage points from 12.1% in corresponding period in 2014.

Confronted with the weak market sentiment and the increasing competitive market place, the Group reported a decline in revenue by 2.8% from RMB542.0 million in the six months ended 30 June 2014 to RMB526.6 million in the Relevant Period and a decline in profit attributable to owners of the parent by 5.8% from RMB101.6 million in the six months ended 30 June 2014 to RMB95.7 million in the Relevant Period.

FINANCIAL REVIEW

Revenue

The Group recorded revenue of RMB526.6 million in the Relevant Period representing a decrease by RMB15.4 million, or approximately 2.8% as compared to RMB542.0 million in the six months ended 30 June 2014.

By sales channel

Revenue from self-operated retail sales increased by RMB8.2 million, or 2.2%, from RMB367.0 million in the six months ended 30 June 2014 to RMB375.2 million in the Relevant Period and accounted for approximately 71.3% (1H2014: 67.7%) of total revenue. The increase in revenue was primarily due to the increase in number of self-operated retail points to 670 as of 30 June 2015, as a result of our expansion in new brands and partially offset by the decrease in same store sales by 3.8% due to continuous 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. During the Relevant Period, we 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 RMB12.0 million, or 16.6%, from RMB72.1 million in the six months ended 30 June 2014 to RMB84.1 million in the Relevant Period.

Revenue from sales to third-party retailers decreased by RMB31.0 million, or 19.6%, from RMB158.5 million in the six months ended 30 June 2014 to RMB127.5 million in the Relevant Period and accounted for approximately 24.2% (1H2014: 29.3%) 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 measures advocated by the new leadership of the central government; 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 RMB7.4 million, or 44.8%, from RMB16.5 million in the six months ended 30 June 2014 to RMB23.9 million in the Relevant Period and accounted for approximately 4.5% (1H2014: 3.0%) 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.com, from RMB5.9 million in the six months ended 30

June 2014 to RMB11.4 million in the Relevant Period; and (ii) increase in sales from self-operated e-commerce platforms from RMB2.5 million in the six months ended 30 June 2014 to RMB3.8 million in the Relevant Period.

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:

	Six months ended 30 June			
	2015		2014	
	Revenue *RMB million*	**% of total revenue**	Revenue *RMB million*	% of total revenue
Retail sales from self-operated retailers	**375.2**	**71.3%**	367.0	67.7%
Sales to third-party retailers	**127.5**	**24.2%**	158.5	29.3%
Sales from e-commerce business	**23.9**	**4.5%**	16.5	3.0%
Total	**526.6**	**100.0%**	542.0	100.0%

By Brand

Revenue contributed from self-owned brands increased by RMB12.7 million, or approximately 48.5%, from RMB26.2 million in the six months ended 30 June 2014 to RMB38.9 million in the Relevant Period. Percentage of revenue from self-owned brands over total revenue has increased from 4.8% in the six months ended 30 June 2014 to 7.4% in the Relevant Period. 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 RMB22.2 million, or approximately 40.7%, from RMB54.6 million in the six months ended 30 June 2014 to RMB76.8 million in the Relevant Period. Percentage of revenue from new brands over total revenue has been increased from 10.1% in the six months ended 30 June 2014 to 14.6% in the Relevant Period.

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

	Six months ended 30 June			
	2015		2014	
	Revenue *RMB million*	**% of total revenue**	Revenue *RMB million*	% of total revenue
Licensed brands	**487.7**	**92.6%**	515.8	95.2%
Self-owned brands	**38.9**	**7.4%**	26.2	4.8%
Total	**526.6**	**100.0%**	542.0	100.0%

Cost of sales

Our cost of sales decreased by RMB9.9 million, or approximately 6.5%, from RMB152.3 million in the six months ended 30 June 2014 to RMB142.4 million in the Relevant Period. The decrease in cost of sales was primarily due to decrease in inventory provision by RMB14.2 million from RMB50.2 million in the six months ended 30 June 2014 to RMB36.0 million in the Relevant Period.

Gross profit and gross profit margin

Our gross profit decreased by RMB5.6 million, or approximately 1.4%, from RMB389.7 million in the six months ended 30 June 2014 to RMB384.1 million in the Relevant Period as a result of the decrease in total revenue. Our overall gross profit margin was largely consisted for the both periods indicated.

Other income and gains, net

Our other income and gains decreased by RMB3.2 million, or approximately 21.5%, from RMB14.9 million in the six months ended 30 June 2014 to RMB11.7 million in the Relevant Period, primarily due to the receipt of subsidy income decreased by RMB3.7 million from RMB14.1 million in the six months ended 30 June 2014 to RMB10.4 million in the Relevant Period.

Selling and distribution costs

Our selling and distribution costs increased by RMB32.8 million, or approximately 15.6%, from RMB210.5 million in the six months ended 30 June 2014 to RMB243.3 million in the Relevant Period.

Concession fees for occupying concession counters within department stores increased by RMB1.0 million, or approximately 0.9%, from RMB107.6 million in the six months ended 30 June 2014 to RMB108.6 million in the Relevant Period, which were largely due to the increase in number of self-operated retail points and the increase in sales from self-operated retail points.

The increase of labour costs in relation to sales and marketing staff from RMB37.3 million in the six months ended 30 June 2014 to RMB44.3 million in the Relevant Period 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 of RMB5.8 million (1H2014: RMB6.3 million) incurred in the Relevant Period for organizing promotion activities and marketing spending on advertising on fashion magazines and expressway billboards.

Decoration expenses for renovation of the self-operated retail points increased from RMB4.5 million in the six months ended 30 June 2014 to RMB11.3 million in the Relevant Period primarily due to the increase in number of self-operated retail points and relatively high decoration expenses incurred for new brands stores such as Barbour, MCS etc. due to high decoration standards.

Other selling and distribution costs, including royalty fees, sample expenses, travelling expenses, office expenses and other operating expenses remain consisted during the both periods indicated.

Administrative expenses

Our administrative expenses decreased by RMB3.7 million, or approximately 12.8%, from RMB28.9 million in the six months ended 30 June 2014 to RMB25.2 million in the Relevant Period, primarily due to the decrease in amortization of share option expense under the Pre-IPO share option scheme by RMB3.5 million.

Other expenses

Other expenses of RMB9.0 million represented foreign exchange losses and changes in fair values of derivative financial instruments.

During the Relevant Period, foreign exchange loss of RMB4.2 million was mainly due to the depreciation of Renminbi against Hong Kong Dollars and disposal of part of the forward contracts.

For the purpose of hedging the exchange risk arising from the short-term bank loans denominated in Hong Kong dollars, the Group had entered into various forward contracts with the bank. Changes in fair values of derivative financial statements of RMB4.8 million was included in "Other expenses" in the interim condensed consolidated statement of profit or loss and other comprehensive income.

Finance income

Our finance income decreased to RMB24.6 million in the Relevant Period as compared to that of RMB28.2 million in the six months ended 30 June 2014, representing a decrease by 12.8%, primarily due to the decrease in balances of pledged deposits, structured bank deposits and cash and cash equivalents.

Finance costs

The Group obtained overseas short-term bank loans from financial institutions in Hong Kong. Finance costs of RMB6.8 million (1H2014: RMB1.0 million) represented bank interest expenses incurred in relation to the above bank loans in the Relevant Period.

Share of profits from joint ventures

Share of profits from joint ventures represented share of profit from a joint venture — MCS of RMB0.5 million (1H2014: loss of RMB1.0 million) and partially offset by share of losses from a joint venture — Henry Cotton's of RMB0.2 million (1H2014: nil). The losses of Henry Cotton's in the Relevant Period mainly represented startup costs incurred for preparation of the launch of the first season products of Henry Cotton's in third quarter of 2015.

Profit before tax

As a result of the foregoing factors, our profit before tax decreased by RMB40.5 million, or approximately 22.9%, from RMB177.0 million in the six months ended 30 June 2014 to RMB136.5 million in the Relevant Period.

Income tax expense

Income tax expense decreased by RMB33.7 million, or approximately 44.6%, from RMB75.5 million in the six months ended 30 June 2014 to RMB41.8 million in the Relevant Period primarily due to (i) no special dividends were proposed in the Relevant Period and led to a decrease in withholding tax on distributable profits of the subsidiaries in China by RMB25.0 million; and (ii) decrease in current income tax profit by RMB19.5 million, or approximately 29.5%, from RMB66.0 million in the six months ended 30 June 2014 to RMB46.5 million in the Relevant Period due to the decrease in profit before tax. The effective income tax rate in the Relevant Period was 30.6% (1H2014: 42.7%).

Profit for the period

Profit for the period decreased by RMB6.8 million, or approximately 6.7%, from RMB101.5 million in the six months ended 30 June 2014 to RMB94.7 million in the Relevant Period. Net profit margin remained consisted during the both periods indicated.

Profit attributable to ordinary equity holders of the parent

As a result of the foregoing, profit attributable to ordinary equity holders of the parent decreased by RMB5.9 million, or approximately 5.8%, from RMB101.6 million in the six months ended 30 June 2014 to RMB95.7 million in the Relevant Period.

Working Capital Management

	30 June 2015	31 December 2014
Inventory turnover days	**518**	430
Trade receivables turnover days	**43**	40
Trade payables turnover days	**52**	42

The increase in inventory turnover by 88 days was mainly due to increase in inventory turnover days for inventories aged within one year by 75 days resulting from the expansion of our new brands, increase in number of our self-operated retail points and decrease in sales due to continuous sluggishness of conventional retail market.

The turnover days of trade receivables and trade payables were consisted during the both periods indicated.

Liquidity, financial position and cash flows

As at 30 June 2015, we had net current assets of approximately RMB928.3 million, as compared to RMB978.9 million as at 31 December 2014. The current ratio, being current assets divided by current liabilities, of our Group was 2.4 as at 30 June 2015, as compared to that of 2.0 as at 31 December 2014.

As at 30 June 2015, the Group had secured banking facilities of RMB378.5 million and there was no undrawn banking facilities.

As at 30 June 2015, we had an aggregate cash and cash equivalents and structured bank deposits of approximately RMB999.3 million. The table below sets forth selected cash flow data from our consolidated statement of cash flows:

	Six months ended 30 June	
	2015	2014
	RMB million	*RMB million*
Net cash flows from operating activities	**27.9**	72.7
Net cash flows from/(used in) investing activities	**307.6**	(180.4)
Net cash flows used in financing activities	**(372.5)**	(56.5)
Net decrease in cash and cash equivalents	**(37.0)**	(164.2)
Effect of foreign exchange rate changes, net	**(0.9)**	(1.1)
Cash and cash equivalents at the beginning of the period	**199.4**	287.8
Cash and cash equivalents at the end of the period	**161.5**	122.5

Operating activities

Net cash flows from operating activities decreased by RMB44.8 million from RMB72.7 million in the six months ended 30 June 2014 to RMB27.9 million in the Relevant Period which was primarily attributable to (i) the operating cash inflows before changes in working capital of RMB168.0 million (1H2014: RMB225.3 million); and (ii) changes in working capital represented decrease of cash of RMB140.1 million (1H2014: RMB152.6 million).

Investing activities

Net cash flows from investing activities of RMB307.6 million in the Relevant Period mainly represented recovery of investments in structured bank deposits of RMB293.3 million and receipt of interest income of RMB20.1 million.

Financing activities

Net cash flows used in financing activities represented payment of 2014 final dividends of RMB101.8 million (1H2014: RMB326.3 million) and repayment of short-term bank loans of RMB268.3 million.

Pledge of group assets

As at 30 June 2015, short-term bank deposits of RMB423.9 million have been pledged as security for obtaining banking facilities, forward contracts and issuance of bank acceptance notes of the Group.

Capital commitments and contingent liabilities

The Group did not have any significant capital commitments and contingent liabilities as at 30 June 2015.

Foreign exchange management

We conduct business primarily in Hong Kong and PRC with most of our transactions denominated and settled in Hong Kong dollars ("HK$") 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 the Relevant Period, an aggregate of HK$8.3 million (equivalent to RMB6.6 million) was used for the construction of the logistic centers in Shanghai.

The table below sets forth the utilisation of the net proceeds from the IPO and the unused amount as at 30 June 2015. All the unused proceeds were deposited into licensed banks in the PRC and Hong Kong:

Use of fund raised

	Percentage to total amount	Net proceeds *(HK$ million)*	Utilised amount as at 30 June 2015 *(HK$ million)*	Unutilised amount as at 30 June 2015 *(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	181.5	11.6
Settlement of shareholder's loan	19%	152.8	147.1	5.7
General working capital	10%	77.3	—	77.3
	100%	803.9	538.8	265.1

OPERATION REVIEW

Retail and distribution network

As at 30 June 2015, our sales network comprised a total of 670 self-operated retail points, comprising concession counters, consignment stores and self-operated stores, and 559 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 the PRC by brand as at 30 June 2015 and 31 December 2014:

	As at 30 June 2015			As at 31 December 2014		
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	**210**	**474**	**684**	205	511	716
— Spirit*	**71**	**18**	**89**	74	21	95
SBPRC	**200**	**60**	**260**	196	118	314
London Fog	**63**	**2**	**65**	59	4	63
Barbour	**11**	**1**	**12**	6	—	6
LINCS	**23**	**1**	**24**	14	—	14
MCS	**41**	**—**	**41**	30	—	30
Zoo York	**16**	**3**	**19**	7	—	7
Others	**35**	**—**	**35**	36	—	36
Total	**670**	**559**	**1,229**	627	654	1,281

* *including 47 and 71 retail points of Jeep lady as at 30 June 2015 and 31 December 2014, respectively*

Self-operated retail points

As at 30 June 2015, we had a network of 642 self-operated concession counters (31 December 2014: 611 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) and etc, among which a total of 119 were outlet stores as at 30 June 2015 (31 December 2014: 110 outlet stores) ;

As at 30 June 2015, we had a network of 28 stores (31 December 2014: 16 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 the changing market landscape and evolving consumer behavior, we remained committed to our channel strategy by:

- a net increase by 9 outlet stores in response to changes in consumer behavior and rapid sales growth in outlet store channel;
- opening 32 new retail points for the expansion and development of our new brands such as Manhattan, Maxim's, MCS, Barbour, LINCS and Zoo York in the Relevant Period.

Retail points operated by third party retailers

Under current uncertain and ever-changing market, our third-party retailers became more prudent and conservative in placing orders and opening new stores. As at 30 June 2015, we had total 559 retail points that were operated by third-party retailers, representing a decrease by 14.5% as compared to that of 654 at 31 December 2014.

E-commerce

We launched our e-commerce business in 2013 and sold off-season products through online sales channels. In the Relevant Period, we actively organized sales fairs on online discount platform such as VIP.com, developed more online third-party retailers for online retailing of our products and increased sales from our self-operated e-shops on popular e-commerce platforms such as JD.com and Tmall.com.

Branding

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

MCS

During the Relevant Period, MCS sponsored the program "Gourmet Big Trump Card (美食大王牌)" from Shanghai Channel Young. Mr. Ah Nan, the program host, put on the MCS clothes to prepare experimental new dishes with other guests in the kitchen.

In June 2015, as one of the sponsors for the popular movie "A Time for Consequences" already on show in the cinema, MCS has provided some of the clothes for Mr. Jason Wu and Mr. Simon Yam, the two prominent actors in the movie. Their image of "real man" in the movie has fully reflected the brand image of MCS.

In June 2015, Hangzhou Liuchin Art Space organized its first exhibition of art space — "Wuxing Liuchin". In particular, MCS as the special guest together with 5 artists from China Academy of Art — the top academy of art in China to stage a live "encounter" for Chinese traditional art of painting and Western fashion for the guests on the scene.

On 29 June 2015, MCS held a fashion show for its 2016 Spring and Summer New Collection at Shanghai Poly Grand Theatre. Over 150 celebrities attended the fashion show and the event has been reported extensively by the mainstream fashion media.

LINCS

During the Relevant Period, LINCS sponsored the clothes for China Entrepreneur Golf Team established by China Entrepreneur Club (中國企業家俱樂部) in 2007, and also sponsored the award for the "Longest Drive Prize" in the golf event "BMW Daonong Cup" Challenge, the leading amateur golf event in China. These activities aim to create the elegant and exquisite lifestyle of LINCS with golf and the high-end club in the background.

Barbour

On 28 and 29 January 2015, we held the English afternoon tea gathering under the theme of Barbour in Shanghai and Beijing. Global CEO and President of Asia-Pacific region of Barbour arrived at the scene and displayed Barbour products and the history of its brand operation for over 120 years to the honorable guests and customers attending the event.

Zoo York

On 18 April 2015, China's professional ultimate sports event — ACTION TIME Ultimate Sports Challenge was held in Shanghai. As one of the sponsors for this event, Zoo York Brand launched exhibition sales in the creative market and invited the professional graffiti artist to paint the graffiti wall on the scene, so as to show to the audience the culture of Zoo York Brand.

The Zoo York skateboard team from the United States of America toured Shanghai, Chengdu and Beijing with their live shows from 28 June to 7 July 2015 and interacted with local skateboard lovers on the spot. The event has aroused extensive attention amidst China's skateboard lovers and professional media.

Design and product development

The local design team kept abreast of the latest trends and developments in new designs, through our collaboration with the international design teams from MCS and Henry Cotton's in Milan, Barbour in London, LINCS in New York and Zoo York in Hong Kong.

Production and supply chain

In the Relevant Period, the construction of the logistic centre with a total gross floor area of 55,000 square meters in Shanghai has completed. The Directors believe that with the operation of the new logistic centre, product distribution between logistic centre and retail points nationwide will be more accurate, thus improving supply chain efficiency. The positing of products in warehouses through our self-developed positing system and personal digital assistant system was also well under way and will significantly improve efficiency of order-picking process in warehouses, and transformed our warehousing system into a B2C logistics center for direct distribution to consumers.

Employee information

As at 30 June 2015, the Group had approximately 2,965 full-time employees. Staff costs, including Directors' remuneration, totalled RMB56.1 million in the Relevant Period (1H2014: RMB53.8 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 30 June 2015.

Corporate Social Responsibility

Being a responsible corporate citizen is core fundamentals of our culture. In the Relevant Period, the Group 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 program in the Relevant Period.

Prospects

Management will continue to focus on the following key objectives for the second half of 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 season products of our new brand Henry Cotton's in the third quarter of 2015 and the first spring/summer season products of Marina Yachting in the second quarter of 2016;

- The Group will continue to 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 store network in outlet stores. E-commerce is also a priority of our sales channel strategy. In the second half of 2015 we will actively participated in sales fairs organised by e-commerce platforms such as VIP.com, JD.com and Tmall.com. and increase sales from our self-operated e-commerce platforms;

- 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 encourage sales attendants to use the system and increase same-store-sales growth by way of fastening the response to ultimate consumers' demands. Furthermore, following the commencement of the warehouse positioning system, our warehousing system will be transformed into a B2C logistics center for direct distribution to consumers, so as to enhance the operation efficiency of the warehouse to retail points and ultimate consumers of online retailing;

- We will continue to leverage of experience from the operation of our own production facilities in Dezhou, Shandong Province and increase bargain powers on negotiation of favorable trading terms with our third-party manufacturers; and
- The preparation and construction of the Group's research and development and product display center in Shanghai will be commenced in the second half of 2015.

INTERIM DIVIDENDS

The Directors do not recommend to declare any interim dividends for the Relevant Period (1H2014: a special dividend of HK12 cents per share).

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 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 Relevant Period, 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 Relevant Period, none of Controlling Shareholders 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

During the Relevant Period, neither the Company nor any of its subsidiaries purchased, sold or redeemed any of the Company's listed securities, except that the trustee of the Employees' Share Award Scheme adopted by the Board on 4 November 2014 (the "Scheme"), pursuant to the terms of the rules and trust deed of the Scheme, purchased on the Stock Exchange a total of 8,154,000 shares of the Company at a total consideration of about HK$7.7 million.

AUDIT COMMITTEE

The audit committee has discussed with management internal controls and financial reporting matters related to the preparation of the interim condensed consolidated financial statements for the Relevant Period. It has also reviewed the said consolidated financial statements in conjunction with the Company's external auditors.

REVIEW OF THE INTERIM RESULTS ANNOUNCEMENT BY AUDITORS

The unaudited interim results of the Group for the Relevant Period have been reviewed by the Group's auditors. Ernst & Young, in accordance with Hong Kong Standard on Review Engagements 2410 "Review of Interim Financial Information Preformed by the Independent Auditor of the Entity" issued by the Hong Kong Institute of Certified Public Accountants.

PUBLICATION OF THE INTERIM RESULTS ANNOUNCEMENT AND INTERIM REPORT

This interim results 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 Interim Report for the Relevant Period containing all the information required by Appendix 16 to the Listing Rules will be despatched to the shareholders of the Company and available on the same websites on or about 11 September 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 period. 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, 24 August 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.