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 INTERIM RESULTS FOR THE SIX MONTHS ENDED 30 JUNE 2017

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 2017, together with the comparative figures for the corresponding period in 2016, as follows:

FINANCIAL HIGHLIGHTS

	Six months ended 30 June		
	2017	2016	
	RMB million	*RMB million*	*Changes*
	(Unaudited)	(Unaudited)	
REVENUE	**442.4**	459.8	(3.8%)
Gross profit	**312.6**	309.5	1.0%
Gross profit margin	***70.7%***	*67.3%*	*3.4 p.p.t.*
Operating profit	**63.5**	60.6	4.8%
Operating profit margin	***14.4%***	*13.2%*	*1.2 p.p.t.*
Profit attributable to owners of the parent	**49.3**	53.3	(7.5%)
Basic earnings per share *(RMB cents)*	**1.44**	1.55	(7.1%)

INTERIM CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME
For the six months ended 30 June 2017

	Notes	Six months ended 30 June 2017 RMB'000 (Unaudited)	2016 RMB'000 (Unaudited)
REVENUE	5	**442,376**	459,805
Cost of sales		**(129,816)**	(150,280)
Gross profit		**312,560**	309,525
Other income and gains, net	5	**8,357**	14,760
Selling and distribution expenses		**(217,878)**	(226,659)
Administrative expenses		**(27,047)**	(26,148)
Other expenses		**(12,506)**	(10,880)
Operating profit		**63,486**	60,598
Finance income	6	**17,388**	17,181
Finance costs	7	**(3,743)**	(3,230)
Share of profits and losses of:			
Joint ventures		**(2,000)**	2,462
An associate		**(584)**	–
PROFIT BEFORE TAX	8	**74,547**	77,011
Income tax expense	9	**(26,105)**	(24,437)
PROFIT FOR THE PERIOD		**48,442**	52,574
OTHER COMPREHENSIVE INCOME/(LOSS)			
Other comprehensive income/(loss) to be reclassified to profit or loss in subsequent periods:			
Available-for-sale investments:			
Changes in fair value		**(4,023)**	–
Exchange differences on translation of foreign operations		**5,760**	(2,882)
TOTAL COMPREHENSIVE INCOME FOR THE PERIOD, NET OF TAX		**50,179**	49,692
Profit attributable to:			
Owners of the parent		**49,305**	53,294
Non-controlling interests		**(863)**	(720)
		48,442	52,574
Total comprehensive income attributable to:			
Owners of the parent		**51,084**	50,383
Non-controlling interests		**(905)**	(691)
		50,179	49,692
EARNINGS PER SHARE ATTRIBUTABLE TO OWNERS OF THE PARENT			
Basic and diluted	11	**RMB1.44 cents**	RMB1.55 cents

Details of the dividend proposed and paid for the period are disclosed in note 10.

INTERIM CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION
As at 30 June 2017

	Notes	**30 June 2017** *RMB'000* **(Unaudited)**	31 December 2016 *RMB'000* (Audited)
NON-CURRENT ASSETS			
Property, plant and equipment		**266,124**	275,123
Property under development		**39,013**	–
Prepaid land lease payments		**47,975**	83,927
Investment properties		**4,356**	4,499
Investments in joint ventures		**148,265**	156,980
Investment in an associate		**15,537**	16,121
Available-for-sale investments		**60,672**	17,016
Goodwill		**70,697**	70,697
Other intangible assets		**94,399**	99,093
Deferred tax assets		**153,923**	149,780
Total non-current assets		**900,961**	873,236
CURRENT ASSETS			
Inventories	*12*	**221,554**	258,755
Trade and bills receivables	*13*	**73,292**	105,565
Prepayments, deposits and other receivables		**87,857**	75,096
Derivative financial instruments		**2,295**	10,365
Structured bank deposits	*14*	**478,481**	474,200
Pledged bank deposits		**427,304**	429,324
Cash and cash equivalents		**184,637**	157,122
Total current assets		**1,475,420**	1,510,427
CURRENT LIABILITIES			
Interest-bearing bank borrowings	*15*	**373,205**	384,639
Trade payables	*16*	**30,096**	32,489
Deposits received, other payables and accruals		**105,707**	140,454
Tax payable		**134,842**	141,861
Total current liabilities		**643,850**	699,443
NET CURRENT ASSETS		**831,570**	810,984
TOTAL ASSETS LESS CURRENT LIABILITIES		**1,732,531**	1,684,220
NON-CURRENT LIABILITIES			
Deferred tax liabilities		**25,315**	26,864
Net assets		**1,707,216**	1,657,356

INTERIM CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION (Continued)

As at 30 June 2017

	Notes	**30 June 2017** *RMB'000* **(Unaudited)**	31 December 2016 *RMB'000* (Audited)
EQUITY			
Equity attributable to owners of the parent			
Share capital	*17*	**280,661**	280,661
Shares held for share award scheme		**(7,919)**	(7,591)
Reserves		**1,435,505**	1,384,412
		1,708,247	1,657,482
Non-controlling interests		**(1,031)**	(126)
Total equity		**1,707,216**	1,657,356

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 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 2017 (the "Relevant Period").

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

2. BASIS OF PREPARATION

These interim condensed consolidated financial statements for 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 annual consolidated financial statements, and should be read in conjunction with the Group's annual consolidated financial statements for the year ended 31 December 2016.

3. IMPACT OF NEW AND REVISED INTERNATIONAL FINANCIAL REPORTING STANDARDS

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 2016, except for the adoption of the new or revised standards, interpretation and amendments as of 1 January 2017, noted below:

Amendments to IAS 7	*Statement of Cash Flows: Disclosure Initiative*
Amendments to IAS 12	*Income Taxes: Recognition of Deferred Tax Assets for Unrecognised Losses*
Annual Improvements 2014-2016 Cycle	Amendments to IFRS 12 *Disclosure of Interests in Other Entities: Clarification of the scope of disclosure requirements in IFRS 12*

The Group is not required to provide additional disclosures of the IAS 7 in its unaudited interim condensed consolidated financial statements, but will disclose additional information in its annual consolidated financial statements for the year ending 31 December 2017. Except for the IAS 7, 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.

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 Relevant Period presented.

5. REVENUE AND OTHER INCOME AND GAINS, NET

Revenue, 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	
	2017	2016
	RMB'000	*RMB'000*
	(Unaudited)	(Unaudited)
Revenue		
Sale of goods	**442,376**	459,805
Other income		
Government subsidies*	**6,589**	8,373
Arrangement fees#	**75**	121
Rental income, net	**693**	1,210
Sale of consumables, net	**953**	721
	8,310	10,425
Gains, net		
Fair value gains, net:		
Derivative instruments – transactions not qualifying as hedges	**–**	4,235
Others	**47**	100
	47	4,335
	8,357	14,760

* 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.

6. FINANCE INCOME

	Six months ended 30 June	
	2017	2016
	RMB'000	*RMB'000*
	(Unaudited)	(Unaudited)
Interest income on bank deposits	**707**	931
Interest income on structured bank deposits	**16,681**	16,250
	17,388	17,181

7. FINANCE COSTS

	Six months ended 30 June	
	2017	2016
	RMB'000	*RMB'000*
	(Unaudited)	(Unaudited)
Interest on bank loans	**3,743**	3,230

8. PROFIT BEFORE TAX

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

	Six months ended 30 June	
	2017	2016
	RMB'000	*RMB'000*
	(Unaudited)	(Unaudited)
Cost of inventories sold	**106,664**	97,182
Depreciation:		
Property, plant and equipment	**7,978**	7,540
Investment properties	**143**	11
	8,121	7,551
Employee benefit expenses (including directors' remuneration):		
Wages and salaries	**51,040**	45,605
Pension scheme contributions	**6,598**	6,492
	57,638	52,097
Amortisation of prepaid land lease payments*	**1,059**	944
Amortisation of other intangible assets*	**786**	786
Impairment of other intangible assets^	**1,272**	7,470
Impairment of trade receivables^	**720**	3,364
Fair value loss/(gain), net:		
Derivative instruments – transactions not qualifying as hedges	**8,070**	(4,235)
Write-down of inventories to net realisable value#	**23,152**	53,098
Foreign exchange differences, net	**2,425**	46

* 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 other 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 other comprehensive income.

^ The impairment of other intangible assets and trade receivables are included in "Other expenses" in the interim condensed 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 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 months ended 30 June 2016.

	Six months ended 30 June	
	2017	2016
	RMB'000	*RMB'000*
	(Unaudited)	(Unaudited)
Current – PRC		
Charge for the period	**30,456**	39,236
Deferred	**(4,351)**	(14,799)
Total tax charge for the period	**26,105**	24,437

10. DIVIDEND

The Board does not recommend to declare any final dividends or interim dividends for the year ended 31 December 2016 and for the Relevant Period, respectively.

11. EARNINGS PER SHARE ATTRIBUTABLE TO OWNERS OF THE PARENT

The calculation of basic earnings per share is based on the profit for the Relevant Period attributable to owners of the parent of RMB49,305,000 (six months ended 30 June 2016: RMB53,294,000) and the weighted average number of ordinary shares of 3,434,850,344 (six months ended 30 June 2016: 3,435,512,411) 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 outstanding had an anti-dilutive effect on the basic earnings per share amounts presented.

	Six months ended 30 June	
	2017	2016
	RMB'000	*RMB'000*
	(Unaudited)	(Unaudited)
Earnings		
Profit attributable to owners of the parent, used in the basic earnings per share calculation	**49,305**	53,294

	Number of shares	
	Six months ended 30 June	
	2017	2016
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	**(10,599,656)**	(9,937,589)
Adjusted weighted average number of ordinary shares in issue used in the basic earnings per share calculation	**3,434,850,344**	3,435,512,411

12. INVENTORIES

	30 June 2017	31 December 2016
	RMB'000	*RMB'000*
	(Unaudited)	(Audited)
Raw materials	**14,602**	13,436
Work in progress	**6,333**	6,709
Finished goods	**200,619**	238,610
	221,554	258,755

13. 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 2017 and 31 December 2016, based on the invoice date and net of provision and the balances of bills receivable, is as follows:

	30 June 2017	31 December 2016
	RMB'000	*RMB'000*
	(Unaudited)	(Audited)
Trade receivables		
Within 60 days	**69,333**	98,381
61 to 90 days	**684**	917
91 to 180 days	**923**	1,285
181 to 360 days	**636**	1,944
Over 360 days	**1,616**	1,078
	73,192	103,605
Bills receivable	**100**	1,960
	73,292	105,565

14. STRUCTURED BANK DEPOSITS

	30 June 2017	31 December 2016
	RMB'000	*RMB'000*
	(Unaudited)	(Audited)
Structured bank deposits, in licensed banks in China, at amortised cost	**478,481**	474,200

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

15. INTEREST-BEARING BANK BORROWINGS

	30 June 2017	31 December 2016
	RMB'000	*RMB'000*
	(Unaudited)	(Audited)
Interest-bearing bank borrowings	**373,205**	384,639

Interest-bearing bank borrowings outstanding as of 30 June 2017 represent HK$ denominated bank borrowings of HK$430,000,000, 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 RMB425,700,000 as at 30 June 2017. Pledged deposits were classified as "Pledged bank deposits" on the interim condensed consolidated statements of financial position as at 30 June 2017. The interest-bearing bank borrowings are repayable on demand and bear interest at a rate of Hong Kong Inter Bank Offered Rate ("HIBOR") plus 1.50%.

16. TRADE PAYABLES

An aged analysis of the trade payables as at 30 June 2017 and 31 December 2016, based on the invoice date is as follows:

	30 June 2017	31 December 2016
	RMB'000	*RMB'000*
	(Unaudited)	(Audited)
Trade payables		
Within 30 days	**19,347**	22,798
31 to 90 days	**4,731**	4,248
91 to 180 days	**1,590**	273
181 to 360 days	**4,428**	5,170
	30,096	32,489

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

17. SHARE CAPITAL

Shares

	30 June 2017	31 December 2016
	HK$'000	*HK$'000*
	(Unaudited)	(Audited)
Issued and fully paid:		
3,445,450,000 (31 December 2016: 3,445,450,000) ordinary shares	**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

Although total retail sales of consumer products increased by 10.4% for the Relevant Period, representing an increase by 0.1 percentage point from 10.3% in the corresponding period in 2016, retail sales achieved by the top 100 key and large-scale retailers also increased by 3.1% for the Relevant Period, representing an increase by 6.3 percentage points, the menswear sector in China continued to be difficult and challenging as the retail market is undergoing profound changes and has entered into a transformative phase. New technologies are revolutionizing the consumption behavior of the Chinese consumers and the way retailers operate their businesses. The competition amongst the retailers has been intensifying, whilst the Chinese consumers has become increasingly sophisticated, demanding better quality yet value for money products and services.

Confronted with the increasingly competitive market place, the Group is searching for ways to better adapt to the changing landscape. The Group reported a decline in revenue by 3.8% from RMB459.8 million in the six months ended 30 June 2016 to RMB442.4 million in the Relevant Period and a decline in profit attributable to owners of the parent by 7.5% from RMB53.3 million in the six months ended 30 June 2016 to RMB49.3 million in the Relevant Period.

FINANCIAL REVIEW

Revenue

The Group recorded revenue of RMB442.4 million in the Relevant Period representing a decrease by RMB17.4 million, or approximately 3.8% as compared to RMB459.8 million in the six months ended 30 June 2016.

By sales channel

Revenue from self-operated retail sales decreased by RMB7.8 million, or 2.3%, from RMB343.2 million in the six months ended 30 June 2016 to RMB335.4 million in the Relevant Period and accounted for approximately 75.8% (six months ended 30 June 2016: 74.6%) of total revenue. The decrease in revenue was primarily due to the continuous decline 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. This decline in traffic led to a decrease in same store sales by 1.9%. Despite the decrease in retail sales through self-operated stores, we remained 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 RMB19.3 million, or 21.3%, from RMB90.5 million in the six months ended 30 June 2016 to RMB109.8 million in the Relevant Period.

Revenue from sales to third-party retailers decreased by RMB10.3 million, or 11.5%, from RMB89.7 million in the six months ended 30 June 2016 to RMB79.4 million in the Relevant Period and accounted for approximately 18.0% (six months ended 30 June 2016: 19.5%) of total revenue. The decrease in revenue was primarily attributable to (i) the decrease in retail points operated by third-party retailers; (ii) the third-party retailers becoming more conservative under the current sluggish retail market conditions, especially in North China and third to fourth tier cities where a majority of our third-party retailers are located; and (iii) e-commerce presenting more choices to consumers in the third and fourth tier cities in China, thus impacting conventional retailers.

Revenue from e-commerce business increased by RMB0.7 million, or 2.6%, from RMB26.9 million in the six months ended 30 June 2016 to RMB27.6 million in the Relevant Period and accounted for approximately 6.2% (six months ended 30 June 2016: 5.9%) of total revenue. The increase in revenue from e-commerce business was primarily attributable to (i) an increase in sales from self-operated e-shops on popular e-commerce plarforms such JD.com and Tmall.com from RMB4.7 million in the six months ended 30 June 2016 to RMB6.6 million in the Relevant Period; (ii) an increase in sales to online third-party retailers from RMB9.7million in the six months ended 30 June 2016 to RMB12.2 million in the Relevant Period; and partially offset by (iii) a decrease in sales from online discount platform such as VIP.com from RMB12.5 million in the six months ended 30 June 2016 to RMB8.8 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			
	2017		2016	
	Revenue *RMB million*	**% of total revenue**	Revenue *RMB million*	% of total revenue
Retail sales from self-operated retailers	**335.4**	**75.8%**	343.2	74.6%
Sales to third-party retailers	**79.4**	**18.0%**	89.7	19.5%
Sales from e-commerce business	**27.6**	**6.2%**	26.9	5.9%
Total	**442.4**	**100.0%**	459.8	100.0%

By Brand

Revenue contributed from self-owned brands increased by RMB3.2 million, or approximately 7.3%, from RMB43.6 million in the six months ended 30 June 2016 to RMB46.8 million in the Relevant Period. Percentage of revenue from self-owned brands over total revenue also increased from 9.5% in the six months ended 30 June 2016 to 10.6% in the Relevant Period.

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

	Six months ended 30 June			
	2017		2016	
	Revenue ***RMB million***	**% of total revenue**	Revenue *RMB million*	% of total revenue
Licensed brands	**395.6**	**89.4%**	416.2	90.5%
Self-owned brands	**46.8**	**10.6%**	43.6	9.5%
Total	**442.4**	**100.0%**	459.8	100.0%

Cost of sales

Our cost of sales decreased by RMB20.5 million, or approximately 13.6%, from RMB150.3 million in the six months ended 30 June 2016 to RMB129.8 million in the Relevant Period. The decrease in cost of sales was primarily due to a mixed effect of a decrease in inventory provisions by RMB29.9 million from RMB53.1 million in the six months ended 30 June 2016 to RMB23.2 million in the Relevant Period as a result of our initiative to reduce the level of aged inventories and partially offset by an increase in cost of inventories sold by RMB9.4 million from RMB97.2 million in the six months ended 30 June 2016 to RMB106.6 million in the Relevant Period due to an increase in number of units sold in the Relevant Period.

Gross profit and gross profit margin

Our gross profit increased by RMB3.1 million, or approximately 1.0%, from RMB309.5 million in the six months ended 30 June 2016 to RMB312.6 million in the Relevant Period. Our overall gross profit margin also increased from 67.3% in the six months ended 30 June 2016 to 70.7% in the Relevant Period which was primarily because of the decrease in inventory provisions. Save for the inventory provisions, our overall gross profit margin would have been 75.9% in the Relevant Period, as compared with the gross profit margin at 78.9% in the six months ended 30 June 2016. The decrease in gross profit margin excluding inventory provisions was mainly due to the increase in sales through outlet stores and e-commerce which have lower gross profit margins.

Other income and gains, net

Our other income and gains decreased by RMB6.4 million, or approximately 43.2%, from RMB14.8 million in the six months ended 30 June 2016 to RMB8.4 million in the Relevant Period, primarily due to a decrease in other gains from changes in fair values of the foreign currency forward contracts by RMB4.2 million and a decrease in subsidy income by RMB1.8 million from RMB8.4 million in the six months ended 30 June 2016 to RMB6.6 million in the Relevant Period.

Selling and distribution expenses

Our selling and distribution expenses decreased by RMB8.8 million, or approximately 3.9%, from RMB226.7 million in the six months ended 30 June 2016 to RMB217.9 million in the Relevant Period.

Rents and concession fees for occupying concession counters within department stores and department store charges decreased by RMB12.2 million, or approximately 9.4%, from RMB129.2 million in the six months ended 30 June 2016 to RMB117.0 million in the Relevant Period, which was largely due to the decrease in sales from self-operated retail points.

The labour costs related to sales and marketing staff slightly increased from RMB45.0 million in the six months ended 30 June 2016 to RMB45.4 million in the Relevant Period. This increase was primarily attributable to the increase in basic salary of the sales and marketing staff.

The Group incurred advertising and promotion expenses of RMB8.6 million (six months ended 30 June 2016: RMB5.7 million) during the Relevant Period for organizing promotion activities and spending on social media marketing to share our brand stories and product knowledge with our customer through wechat, weibo, and mainstream websites such as Sina.com, Sohu.com etc.

Other selling and distribution expenses, including royalty fees, decoration expenses, sample expenses, travelling expenses, office expenses and other operating expenses remain consistent for both periods indicated.

Administrative expenses

Our administrative expenses increased by RMB0.9 million, or approximately 3.4%, from RMB26.1 million in the six months ended 30 June 2016 to RMB27.0 million in the Relevant Period, which was primarily due to the increase in depreciation of the new office building in Wuxi, Jiangsu Province, which was acquired in November 2016.

Other expenses

Other expenses mainly represented unrealised loss from change in fair values of the foreign currency forward contract of RMB8.1 million, an impairment on trademarks – Artful Dodger of RMB1.3 million, an impairment on trade receivables of RMB0.7 million and an exchange loss of RMB2.4 million arising from the depreciation of RMB against HK dollars ("HK$").

Finance income

Our finance income slightly increased from RMB17.2 million in the six months ended 30 June 2016 to RMB17.4 million in the Relevant Period, representing an increase by 1.2%, which was primarily due to the increase in interest rate in structure bank deposits and short-term bank deposits during the Relevant Period.

Finance costs

The Group obtained overseas short-term bank loans from financial institutions in Hong Kong. Finance costs of RMB3.7 million (six months ended 30 June 2016: RMB3.2 million) represented bank interest expenses incurred in relation to the above bank loans in the Relevant Period.

Share of profits and losses of joint ventures

Share of profits and losses of joint ventures represented share of losses of joint ventures in MCS, Henry Cotton's and Marina Yachting of RMB0.7 million, RMB1.1 million and RMB0.2 million, respectively, in the Relevant Period (six months ended 30 June 2016: share of profit of MCS of RMB4.5 million, share of losses of Henry Cotton's and Marina Yachting of RMB1.5 million and RMB0.5 million, respectively).

Profit before tax

As a result of the foregoing factors, our profit before tax decreased by RMB2.5 million, or approximately 3.2%, from RMB77.0 million in the six months ended 30 June 2016 to RMB74.5 million in the Relevant Period.

Income tax expense

Income tax expense increased by RMB1.7 million, or approximately 7.0%, from RMB24.4 million in the six months ended 30 June 2016 to RMB26.1 million in the Relevant Period primarily due to a decrease in deferred tax income by RMB10.4 million due to the decrease in balance of inventory provisions and impairment on trade receivables and partially offset by a decrease in current income tax by RMB8.7 million, from RMB39.2 million in the six months ended 30 June 2016 to RMB30.5 million in the Relevant Period due to the decrease in profit before tax. The effective income tax rate in the Relevant Period was 35.0% (six months ended 30 June 2016: 31.7%).

Profit for the period

Profit for the period decreased by RMB4.2 million, or approximately 8.0%, from RMB52.6 million in the six months ended 30 June 2016 to RMB48.4 million in the Relevant Period. The net profit margin in the Relevant Period was 10.9% which was largely consistent with that of 11.4% in the six months ended 30 June 2016.

Profit attributable to owners of the parent

As a result of the foregoing, profit attributable to owners of the parent decreased by RMB4.0 million, or approximately 7.5%, from RMB53.3 million in the six months ended 30 June 2016 to RMB49.3 million in the Relevant Period.

Working Capital Management

	30 June 2017	31 December 2016
Inventory turnover days	**333**	359
Trade receivables turnover days	**36**	44
Trade payables turnover days	**43**	45

The decrease in inventory turnover by 26 days was mainly due to decrease in inventory turnover days for inventories aged within one year by 38 days resulted from the decrease in procurement of products. In the meantime, the inventory balance also decreased by RMB37.2 million, or approximately 14.4%, from RMB258.8 million as at 31 December 2016 to RMB221.6 million as at 30 June 2017.

The turnover days of trade receivables and trade payables were consistent for both periods indicated.

Liquidity, financial position and cash flows

As at 30 June 2017, we had net current assets of approximately RMB831.6 million, as compared to RMB811.0 million as at 31 December 2016. The current ratio of our Group was 2.3 as at 30 June 2017, as compared to that of 2.2 as at 31 December 2016.

As at 30 June 2017, the Group had secured banking facilities of RMB373.2 million and there was no undrawn banking facilities.

As at 30 June 2017, we had an aggregate structured bank deposits, pledged bank deposits and cash and cash equivalents of approximately RMB1,090.4 million. The table below sets forth selected cash flow data from our interim condensed consolidated statement of cash flows:

	Six months ended 30 June	
	2017	2016
	RMB million	*RMB million*
	(Unaudited)	(Unaudited)
Net cash flows from operating activities	**63.7**	81.6
Net cash flows used in investing activities	**(76.4)**	(90.0)
Net cash flows used in financing activities	**(0.3)**	(0.1)
Net decrease in cash and cash equivalents	**(13.0)**	(8.5)
Effect of foreign exchange rate changes, net	**2.8**	1.8
Cash and cash equivalents at the beginning of the period	**157.8**	172.3
Cash and cash equivalents at the end of the period	**147.6**	165.6

Operating activities

Net cash flows from operating activities decreased by RMB17.9 million from RMB81.6 million in the six months ended 30 June 2016 to RMB63.7 million in the Relevant Period which was primarily attributable to (i) the operating cash inflows before changes in working capital of RMB106.7 million (six months ended 30 June 2016: RMB129.6 million); and (ii) changes in working capital representing a decrease of cash of RMB43.0 million (six months ended 30 June 2016: RMB48.0 million) which mainly arose from the decrease in deposits received, other payables and accruals by RMB34.7 million.

Investing activities

Net cash flows used in investing activities of RMB76.4 million in the Relevant Period mainly represented an increase of investment in bank deposits with original maturity of over three months of RMB35.6 million and an increase of investment in available-for-sale investment of RMB49.0 million.

Financing activities

There was no material cash flows used in financing activities in the Relevant Period.

Gearing Ratio

The gearing ratio of the Group which is calculated by dividing total borrowings by total equity was 21.9% as at 30 June 2017 (31 December 2016: 23.2%). Further details of the Group's bank borrowings are set out in note 15 of the notes to the interim condensed consolidated financial statements.

Pledge of group assets

As at 30 June 2017, short-term bank deposits of RMB425.7 million have been pledged as security for obtaining banking facilities of the Group. The Group also pledged short-term bank deposits of RMB1.6 million for foreign currency forward contracts.

Capital commitments and contingent liabilities

As at 30 June 2017, the Group had capital commitments of approximately RMB126.9 million (31 December 2016: RMB5.2 million) and there was no significant contingent liabilities (31 December 2016: Nil).

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.

The table below sets forth the utilisation of the net proceeds from the IPO and the unused amount as at 30 June 2017. 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 2017 *(HK$ million)*	Unutilised amount as at 30 June 2017 *(HK$ million)*
Licensing or acquisition of additional recognised international brands	**47%**	**380.7**	**234.5**	**146.2**
Expansion and enhancement of existing logistical system	**24%**	**193.1**	**193.1**	**–**
Settlement of shareholder's loan	**19%**	**152.8**	**147.1**	**5.7**
General working capital	**10%**	**77.3**	**–**	**77.3**
	100%	**803.9**	**574.7**	**229.2**

There was no material IPO proceeds used during the Relevant Period.

OPERATION REVIEW

Retail and distribution network

As at 30 June 2017, our sales network comprised a total of 620 self-operated retail points, consisting of concession counters and standalone stores, and 413 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 2017 and 31 December 2016:

	As at 30 June 2017			As at 31 December 2016		
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	**211**	**388**	**599**	210	409	619
– Spirit*	**50**	**6**	**56**	50	9	59
SBPRC	**160**	**18**	**178**	166	31	197
London Fog	**56**	**–**	**56**	57	1	58
MCS	**45**	**–**	**45**	46	–	46
Zoo York	**29**	**1**	**30**	25	3	28
Others	**69**	**–**	**69**	60	–	60
Total	**620**	**413**	**1,033**	614	453	1,067

* *including 25 and 26 retail points of Jeep lady as at 30 June 2017 and 31 December 2016, respectively*

Self-operated retail points

As at 30 June 2017, we had a network of 604 self-operated concession counters (31 December 2016: 592 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 160 were outlet stores as at 30 June 2017 (31 December 2016: 153 outlet stores).

As at 30 June 2017, we had a network of 16 standalone stores (31 December 2016: 22 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 ever-evolving consumer behavior, we remained committed to our channel strategy by:

- a net increase of 7 outlet stores in response to changes in consumer behavior and rapid sales growth in outlet store channel; and

- a net increase of 14 new retail points for the expansion and development of our new brands such as Barbour, LINCS, Marina Yachting and Zoo York in the Relevant Period.

Retail points operated by third party retailers

Under current uncertain and ever-changing market conditions, our third-party retailers have become more conservative in placing orders and opening new stores. As at 30 June 2017, we had a total of 413 retail points that were operated by third-party retailers, representing a decrease of 8.8% as compared to that of 453 at 31 December 2016.

E-commerce

We launched our e-commerce business in 2013 and sold off-season products through online sales channels. In the Relevant Period, we continued to actively organize sales fairs on online discount platform such as VIP.com, develop more online third-party retailers for online retailing of our products and increase 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 to 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

MCS provided some of the apparel for Mr. Andy Lau (劉德華先生), the prominent actor, in the movie "Shock Wave" (拆彈專家) which was shown in cinemas in April 2017.

LINCS

During the Relevant Period, LINCS continued to sponsor apparel for the China Entrepreneur Golf Team and the award for the "Longest Drive Prize" in the golf event "BMW Daonong Cup" Challenge, the leading amateur golf event in China.

Marina Yachting

During the Relevant Period, Marina Yachting sponsored apparel for the Children's Choir of Shanghai Poly Grand Theater (上海保利大劇院童聲合唱團) for the 8th World Peace Choral Festival (第八屆世界和平合唱節) in Vienna, Austria, and the Children's Choir won the Silver Prize in the Event.

Slava's Snowshow

We, in collaboration with the Beijing Loving Animals Foundation (北京愛它動物保護公益基金), sponsored the "Slava's Snowshow" (下雪啦) which was shown on the Shanghai Poly Grand Theater on 1 January 2017. The "Slava's Snowshow", created by the Russian performance artist Mr. Slava Polunin, is a world renown show and over 1,000 celebrities attended the event.

Royal Highness

During the Relevant Period, we also provided apparel of a number of our brands (including Barbour, Jeep, Henry Cotton's, LINCS, Marina Yachting, MCS and Santa Barbara Polo & Racquet Club) to the TV show "Royal Highness" from the popular web fiction "回到明朝當王爺" that is available on *www.qidian.com*, the leading online platform for web fiction.

Design and product development

The local design team continues to keep abreast of the latest trends and developments in new designs, through our collaborations with the international design teams from MCS, Henry Cotton's and Marina Yachting in Milan and Venice, Barbour in London, LINCS in New York, Greg Norman in Sydney and Zoo York in Hong Kong.

Production and supply chain

We developed an O2O system that is tailored to our retail network and allows our customers to make purchases on demand even if the desired item is out of stock at a particular location. This in turn both enhances customers' shopping experience and drives our sales. Sales contributed by the system increased by RMB25.0 million, or approximately 75.3%, from RMB33.2 million in the six months ended 30 June 2016 to RMB58.2 million in the Relevant Period.

From 2017 fall/winter season and onwards, microchips with Radio Frequency Identification (RFID) technology will be implanted on product tag of our products. RFID reading devices will also be equipped in our new logistic center in Shanghai to read and identify product information. The use of this new technology will significantly improve the operational efficiency, from product receiving, positioning, stocktaking to order fulfillment process, and accelerate the transforming of our warehousing system into a B2C logistics center for direct distribution of product to customers.

Employee information

As at 30 June 2017, the Group had approximately 2,629 full-time employees. Staff costs, including Directors' remuneration, totaled RMB57.6 million in the Relevant Period (six months ended 30 June 2016: RMB52.1 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 84,012,000 options under the Pre-IPO Share Option Scheme that was granted to 17 participants (including 7 directors) remained outstanding as at 30 June 2017.

Corporate Social Responsibility and Sustainability Initiatives

Being a responsible corporate citizen is a core fundamental of our culture. In the Relevant Period, the Group continued to participate in 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) and the sponsorship of "I fly" (愛飛翔) training program for village school teachers organised by the Chinese Red Cross Foundation and Cui Yong Yuan Commonwealth Foundation (崔永元公益基金) for the purpose of supporting education in rural areas of China. A total donation of approximately RMB0.3 million was made by the Group to the above programs in the Relevant Period.

During the Relevant Period, the Group is also looking for opportunities to reduce the consumption of paper, electricity and other resources in order to reduce the impact to the environment and set reduction targets as appropriate.

Prospects

Management will continue to focus on the following key objectives for the second half of 2017:

- Stock clearance of aged inventories will be our first priority for the second half of 2017. We seek to increase the number of outlet stores as well as factory outlets with higher discounts in cities or counties where neither our self-operated or third-party retailers operated retail networks have been established. Bargain sales within department stores or shopping malls will be organized and temporary pop-up stores will also be set up to sell past season inventories. In addition, we will also actively organize sales fairs on online discount platforms, develop more online third-party retailers and increase sales from our self-operated e-shops to reduce the level of inventories;

- We will continue to encourage sales staff and third-party retailers to use our self-developed O2O system to improve the store conversion rate and accelerate the response to ultimate consumers' demands for our products. Our self-developed Customer Relationship Management (CRM) system will also be online in the second half of 2017 to improve the interaction between the customers and us; and

- We will continue to explore the "new form" of the conventional retail stores which combines sophisticated store decorations, digitalization of product offerings and superior customer experience.

INTERIM DIVIDENDS

The Board does not recommend to declare any interim dividends for the Relevant Period (six months ended 30 June 2016: Nil).

DIRECTORS' SECURITIES TRANSACTIONS

The Company has devised its own code of conduct regarding directors' dealings in the Company's securities and securities transactions by employees who are likely to be in possession of unpublished price-sensitive information of the Company (the "Code of Conduct") on terms no less exacting than the Model Code for Securities Transactions by Directors of Listed Issuers as set out in Appendix 10 to the Listing Rules. All Directors have confirmed, following specific enquiry by the Company, that they have complied with the required standard set out in the Model Code and the Code of Conduct for the Relevant Period.

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.

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 for 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, a total of 1,342,000 shares of the Company at a total consideration of about HK$378,000 (equivalent of RMB328,000) were purchased on the Stock Exchange for the Relevant Period.

AUDIT COMMITTEE

The audit committee has discussed with the management regarding the risk management and internal controls systems and financial reporting matters related to the preparation of the unaudited interim condensed consolidated financial statements for the Relevant Period. It has also reviewed the said unaudited interim condensed 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 8 September 2017.

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, 21 August 2017

As at the date of this announcement, the executive directors of the Company are Mr. Lo Peter, Mr. Zhang Yongli, Mr. Sun David Lee and Ms. Huang Xiaoyun; the non-executive directors 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.