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

(Incorporated in the Cayman Islands with limited liability)

(Stock Code: 1146)

ANNOUNCEMENT OF ANNUAL RESULTS FOR THE YEAR ENDED 31 DECEMBER 2018

The board of directors (the "**Board**") of China Outfitters Holdings Limited (the "**Company**") is pleased to announce the consolidated results of the Company and its subsidiaries (collectively, the "**Group**") for the year ended 31 December 2018, together with the comparative figures for the previous year, as follows:

FINANCIAL HIGHLIGHTS

	Year ended 31 December		
	2018	2017	
	RMB million	*RMB million*	*Changes*
REVENUE	**898.3**	918.3	(2.2%)
Gross profit	**682.3**	626.4	+ 8.9%
Gross profit margin	***76.0%***	*68.2%*	*+ 7.8 p.p.t.*
Operating profit	**85.9**	67.9	+ 26.5%
Operating profit margin	***9.6%***	*7.4%*	*+ 2.2 p.p.t.*
Profit attributable to equity holders of the parent	**60.2**	54.9	+ 9.7%
Basic earnings per share — *RMB cent*	**1.76**	1.60	+10.0%

CONSOLIDATED STATEMENT OF PROFIT OR LOSS

For the year ended 31 December

	Notes	2018 RMB'000	2017 RMB'000
REVENUE	5	**898,295**	918,340
Cost of sales		**(215,983)**	(291,912)
Gross profit		**682,312**	626,428
Other income and gains	5	**47,135**	25,698
Selling and distribution expenses		**(495,697)**	(477,177)
Administrative expenses		**(63,573)**	(59,612)
Impairment losses on financial assets, net		**(4,371)**	(796)
Other expenses		**(79,880)**	(46,621)
Operating profit		**85,926**	67,920
Finance income	6	**20,726**	28,664
Finance costs		—	(4,398)
Share of profits and losses of:			
Joint ventures		**2,563**	1,454
An associate		**(1,242)**	(456)
PROFIT BEFORE TAX	7	**107,973**	93,184
Income tax expense	8	**(47,138)**	(37,405)
PROFIT FOR THE YEAR		**60,835**	55,779
Attributable to:			
Equity holders of the parent	10	**60,179**	54,850
Non-controlling interests		**656**	929
		60,835	55,779
EARNINGS PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE PARENT			
Basic and diluted			
— For profit for the year	10	**RMB1.76 cents**	RMB1.60 cents

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

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME
For the year ended 31 December

	Notes	**2018** **RMB'000**	2017 RMB'000
PROFIT FOR THE YEAR		**60,835**	55,779
OTHER COMPREHENSIVE INCOME			
Other comprehensive income that may be reclassified to profit or loss in subsequent periods:			
Available-for-sale investments:			
Changes in fair value		—	(3,716)
Income tax effect		—	929
		—	(2,787)
Exchange differences:			
Exchange differences on translation of foreign operations		**13,152**	27,649
Net other comprehensive income that may be reclassified to profit or loss in subsequent periods		**13,152**	24,862
Other comprehensive income/(loss) that will not be reclassified to profit or loss in subsequent periods:			
Equity investments designated at fair value through other comprehensive income:			
Changes in fair value		**(35,398)**	—
Income tax effect		**5,345**	—
Net other comprehensive loss that will not be reclassified to profit or loss in subsequent periods		**(30,053)**	—
OTHER COMPREHENSIVE INCOME/(LOSS) FOR THE YEAR, NET OF TAX		**(16,901)**	24,862
TOTAL COMPREHENSIVE INCOME FOR THE YEAR		**43,934**	80,641
Attributable to:			
Equity holders of the parent		**43,276**	79,810
Non-controlling interests		**658**	831
		43,934	80,641

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 31 December

	Notes	2018 RMB'000	2017 RMB'000
NON-CURRENT ASSETS			
Property, plant and equipment		**255,315**	241,718
Prepaid land lease payments		**40,368**	41,417
Investment properties		**48,724**	28,865
Investments in joint ventures		**37,129**	141,923
Investment in an associate		**14,039**	14,606
Equity investments designated at fair value through other comprehensive income		**26,172**	—
Available-for-sale investments		**—**	60,961
Goodwill		**72,123**	70,697
Other intangible assets		**124,889**	81,300
Deferred tax assets		**188,096**	178,692
Total non-current assets		**806,855**	860,179
CURRENT ASSETS			
Inventories	*11*	**220,751**	170,828
Properties under development	*12*	**145,438**	69,153
Trade and bills receivables	*13*	**113,166**	117,156
Prepayments and other receivables		**89,728**	154,935
Dividend receivable		**5,136**	10,095
Financial assets at fair value through profit or loss	*14*	**225,000**	—
Structured bank deposits	*14*	**101,958**	494,735
Pledged deposits	*15*	**4,911**	—
Cash and cash equivalents	*15*	**427,581**	199,695
Total current assets		**1,333,669**	1,216,597
CURRENT LIABILITIES			
Trade and bills payables	*16*	**36,548**	25,045
Other payables and accruals		**134,038**	130,486
Tax payable		**172,714**	158,509
Total current liabilities		**343,300**	314,040
NET CURRENT ASSETS		**990,369**	902,557
TOTAL ASSETS LESS CURRENT LIABILITIES		**1,797,224**	1,762,736

	Notes	**2018**	2017
		RMB'000	*RMB'000*
NON-CURRENT LIABILITIES			
Deferred tax liabilities		**18,894**	26,929
Total non-current liabilities		**18,894**	26,929
Net assets		**1,778,330**	1,735,807
EQUITY			
Equity attributable to owners of the parent			
Share capital	*17*	**280,661**	280,661
Shares held for share award scheme		**(10,031)**	(9,781)
Reserves		**1,507,905**	1,464,222
		1,778,535	1,735,102
Non-controlling interests		**(205)**	705
Total equity		**1,778,330**	1,735,807

NOTES

1. CORPORATE AND GROUP 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, 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 year.

2. BASIS OF PREPARATION

These consolidated financial statements have been prepared in accordance with International Financial Reporting Standards ("**IFRSs**") (which include all International Financial Reporting Standards, International Accounting Standards ("**IAS**") and Interpretations) issued by the International Accounting Standards Board (the "**IASB**"), and the disclosure requirements of the Hong Kong Companies Ordinance. They have been prepared under the historical cost convention, except for equity investments designated at fair value through other comprehensive income and financial assets at fair value through profit or loss which have been measured at fair value. These consolidated financial statements are presented in Renminbi ("**RMB**") and all values are rounded to the nearest thousand except when otherwise indicated.

Basis of consolidation

The consolidated financial statements include the financial statements of the Company and its subsidiaries for the year ended 31 December 2018. A subsidiary is an entity (including a structured entity), directly or indirectly, controlled by the Company. Control is achieved when the Group is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee (i.e., existing rights that give the Group the current ability to direct the relevant activities of the investee).

When the Company has, directly or indirectly, less than a majority of the voting or similar rights of an investee, the Group considers all relevant facts and circumstances in assessing whether it has power over an investee, including:

(a) the contractual arrangement with the other vote holders of the investee;

(b) rights arising from other contractual arrangements; and

(c) the Group's voting rights and potential voting rights.

The financial statements of the subsidiaries are prepared for the same reporting period as the Company, using consistent accounting policies. The results of subsidiaries and a trust (the "**Share Award Scheme Trust**"), a controlled special purpose entity, are consolidated from the date on which the Group obtains control, and continue to be consolidated until the date that such control ceases.

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

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

If the Group loses control over a subsidiary, it derecognises (i) the assets (including goodwill) and liabilities of the subsidiary, (ii) the carrying amount of any non-controlling interest and (iii) the cumulative translation differences recorded in equity; and recognises (i) the fair value of the consideration received, (ii) the fair value of any investment retained and (iii) any resulting surplus or deficit in profit or loss. The Group's share of components previously recognised in other comprehensive income is reclassified to profit or loss or retained profits, as appropriate, on the same basis as would be required if the Group had directly disposed of the related assets or liabilities.

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

3. CHANGES IN ACCOUNTING POLICIES AND DISCLOSURES

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

Amendments to IFRS 2	*Classification and Measurement of Share-based Payment Transactions*
Amendments to IFRS 4	*Applying IFRS 9 Financial Instruments with IFRS 4 Insurance Contracts*
IFRS 9	*Financial Instruments*
IFRS 15	*Revenue from Contracts with Customers*
Amendments to IFRS 15	*Clarifications to IFRS 15 Revenue from Contracts with Customers*
Amendments to IAS 40	*Transfers of Investment Property*
IFRIC 22	*Foreign Currency Transactions and Advance Consideration*
Annual Improvements 2014–2016 Cycle	Amendments to IFRS 1 and IAS 28

4. OPERATING SEGMENT INFORMATION

The Group is principally engaged in the business of the 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 year 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 all located in the PRC, no geographical information required by IFRS 8 is presented.

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

5. REVENUE, OTHER INCOME AND GAINS

An analysis of revenue is as follows:

	2018	2017
	RMB'000	*RMB'000*
Revenue from contracts with customers		
Sale of goods	**898,295**	918,340

Revenue from contracts with customers

(i) Disaggregated revenue information

For the year ended 31 December 2018

	Total
	RMB'000
Type of goods	
Sale of apparel and accessories	898,295
Timing of revenue recognition	
Goods transferred at a point in time	898,295

(ii) Performance obligation

Information about the Group's performance obligations is summarised below:

Sale of products

The performance obligation is satisfied upon delivery of the products and payment is generally due within 30 to 90 days from delivery, except for third-party retailers, where payment in advance is normally required.

An analysis of other income is as follows:

	2018	2017
	RMB'000	*RMB'000*
Other income		
Government subsidies*	**38,675**	21,887
Rental income, net	**3,832**	514
Sale of software	**1,647**	872
External order processing income	**969**	1,992
Sale of consumables, net	**66**	150
Dividend income from equity investments at fair value through other comprehensive income	**1,351**	—
Others	**595**	283
	47,135	25,698

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

6. FINANCE INCOME

	2018	2017
	RMB'000	*RMB'000*
Interest income on bank deposits	**8,109**	1,202
Interest income on structured bank deposits	**12,153**	26,516
Others	**464**	946
	20,726	28,664

7. PROFIT BEFORE TAX

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

	2018 *RMB'000*	2017 *RMB'000*
Cost of inventories sold	**238,649**	212,675
Depreciation:		
Property, plant and equipment	**16,277**	14,885
Investment properties	**1,692**	1,978
	17,969	16,863
Amortisation of prepaid land lease payments*	**1,048**	924
Amortisation of other intangible assets*	**1,572**	1,572
Minimum lease payments under operating leases in respect of buildings	**187,680**	194,532
Auditor's remuneration	**2,753**	2,418
Employee benefit expenses (including Directors' remuneration):		
Wages and salaries	**118,542**	102,229
Equity-settled share option expense	**853**	—
Pension scheme contributions	**16,640**	14,187
	136,035	116,416
Impairment of other intangible assets^	**2,250**	10,776
Impairment of financial assets, net:		
Impairment of trade and bills receivables, net	**4,371**	796
	4,371	796
Loss on disposal of:		
Derivative financial instruments — transactions not qualifying as hedges	**—**	10,365
Fair value losses, net:		
Financial assets at fair value through profit or loss — structured bank deposits	**458**	—
Dividend income from equity investments at fair value through other comprehensive income	**(1,351)**	—
Loss on remeasurement of the previously held interest in a joint venture	**62,563**	—
Write-down and reversal of write-down of inventories to net realisable value#	**(40,372)**	64,003
Write-off of uncollectible trade receivables	**—**	1,699
Write-off of uncollectible other receivables	**2,500**	—
Foreign exchange differences, net	**12,109**	23,781

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

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

^ The impairment of other intangible assets is included in "Other expenses" in the consolidated statement of profit or loss.

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 year.

In accordance with the relevant PRC income tax rules and regulations, the Group's subsidiaries registered in the PRC are subject to Corporate Income Tax ("**CIT**") at a statutory rate of 25% on their respective taxable income for the year ended 31 December 2018.

	2018	2017
	RMB'000	*RMB'000*
Current — PRC		
Charge for the year	**42,491**	65,323
Deferred	**4,647**	(27,918)
Total tax charge for the year	**47,138**	37,405

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

	2018		2017	
	RMB'000	%	*RMB'000*	%
Profit before tax	**107,973**		93,184	
Tax charge at the statutory tax rate	**26,993**	**25**	23,296	25
Entities subject to lower statutory income tax rates	**3,456**	**5**	(490)	(1)
Effect of withholding tax on distributable profits of certain PRC subsidiaries	**3,021**	**3**	2,842	3
Effect of withholding tax on service fees	**2,439**	**2**	2,575	3
Profits and losses attributable to an associate	**311**	**—**	114	—
Profits and losses attributable to joint ventures	**(641)**	**(1)**	(363)	—
Adjustments in respect of current tax of previous periods	**(7,344)**	**(7)**	(2,448)	(3)
Tax losses not recognised	**18,520**	**17**	11,615	13
Others	**383**	**—**	264	—
Tax charge at the Group's effective tax rate	**47,138**	**44**	37,405	40

9. DIVIDENDS

The Board does not recommend to declare any final dividends for the year ended 31 December 2018 and 31 December 2017.

10. EARNINGS PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE PARENT

The calculation of basic earnings per share is based on the profit for the year attributable to ordinary equity holders of the parent, and the weighted average number of ordinary shares of 3,425,479,627 (2017: 3,431,537,000) in issue during the year.

No adjustment has been made to the basic earnings per share amounts presented for the years ended 31 December 2018 and 31 December 2017 in respect of a dilution as the impact of the share options under the Share Option Scheme outstanding had an anti-dilutive effect on the basic earnings per share amounts presented.

The calculation of basic earnings per share is based on:

	2018	2017
	RMB'000	*RMB'000*
Earnings		
Profit attributable to equity holders of the parent, used in the basic earnings per share calculation	**60,179**	54,850

	Number of shares	
	2018	2017
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	**(19,970,373)**	(13,913,000)
Adjusted weighted average number of ordinary shares in issue used in the basic earnings per share calculation	**3,425,479,627**	3,431,537,000

11. INVENTORIES

	2018	2017
	RMB'000	*RMB'000*
Raw materials	**16,587**	13,358
Work in progress	**8,805**	8,526
Finished goods	**195,359**	148,944
	220,751	170,828

12. PROPERTIES UNDER DEVELOPMENT

	2018	2017
	RMB'000	*RMB'000*
Properties under development expected to be recovered:		
Within one year	**145,438**	69,153
Carrying amount at end of year	**145,438**	69,153

The Group's properties under development are located in the PRC and situated on leasehold land with long term leases.

13. TRADE AND BILLS RECEIVABLES

	2018	2017
	RMB'000	*RMB'000*
Trade receivables	**121,475**	118,564
Bills receivable	**123**	550
Impairment	**(8,432)**	(1,958)
	113,166	117,156

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.

An ageing analysis of the trade receivables as at 31 December 2018 and 31 December 2017, based on the invoice date and net of loss allowance, and the balances of bills receivable are as follows:

	2018	2017
	RMB'000	*RMB'000*
Trade receivables		
Within 60 days	**103,588**	115,390
61 to 90 days	**3,738**	500
91 to 180 days	**2,042**	207
181 to 360 days	**3,675**	100
Over 360 days	**—**	409
	113,043	116,606
Bills receivable	**123**	550
	113,166	117,156

The bills receivable are due to mature within three months.

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

	2018	2017
	RMB'000	*RMB'000*
At beginning of year	**1,958**	1,162
Effect of adoption of IFRS 9	**1,978**	—
At beginning of year (restated)	**3,936**	1,162
Acquisition from a subsidiary	**125**	—
Impairment losses, net	**4,371**	796
At end of year	**8,432**	1,958

Impairment under IFRS 9 for the year ended 31 December 2018

An impairment analysis is performed at each reporting date using a provision matrix to measure expected credit losses. The provision rates are based on days past due for groupings of various customer segments with similar loss patterns (i.e., by geographical region, product type, customer type and rating, and coverage by letters of credit or other forms of credit insurance). The calculation reflects the probability-weighted outcome, the time value of money and reasonable and supportable information that is available at the reporting date about past events, current conditions and forecasts of future economic conditions. Generally, trade receivables are written off if past due for more than one year and are not subject to enforcement activity.

Set out below is the information about the credit risk exposure on the Group's trade receivables using a provision matrix:

As at 31 December 2018

	Less than 1 year	**Over 1 year**	**Total**
Expected credit loss rate	4.82%	100.00%	6.94%
Gross carrying amount *(RMB'000)*	118,768	2,707	121,475
Expected credit losses *(RMB'000)*	5,725	2,707	8,432

The Group's bills receivable have been accepted by notable bank with high credit ratings. As at 31 December 2018, the probability of default and the loss given default were estimated to be nil.

Impairment under IAS 39 for the year ended 31 December 2017

Included in the above provision for impairment of trade and bills receivables, which was measured based on incurred credit losses under IAS 39, as at 31 December 2017, was a provision for individually impaired trade and bills receivables of RMB1,958,000 with a carrying amount before provision of RMB5,454,000.

The individually impaired trade and bills receivables as at 31 December 2017 related to customers that were in financial difficulties and only a portion of the receivables is expected to be recovered.

The ageing analysis of the trade and bills receivables that were neither individually nor collectively considered to be impaired under IAS 39 is as follows:

	2017
	RMB'000
Neither past due nor impaired	112,444
1 to 180 days past due	707
181 to 360 days past due	509
	113,660

Receivables that were neither past due nor impaired related to a large number of diversified customers for whom there was no recent history of default.

Receivables that were past due but not impaired related to a number of independent customers that had a good track record with the Group. Based on past experience, the Directors were of the opinion that no provision for impairment under IAS 39 was necessary in respect of these balances as there had not been a significant change in credit quality and the balances were still considered fully recoverable.

14. FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS AND STRUCTURED BANK DEPOSITS

	2018	2017
	RMB'000	*RMB'000*
Financial assets at fair value through profit or loss		
Structured bank deposits, at fair value	**225,000**	—
Structured bank deposits		
Structured bank deposits, in licensed banks in the PRC, at amortised cost	**101,958**	494,735

The above structured bank deposits at fair value at 31 December 2018 were wealth management products issued by banks in PRC. They were mandatorily classified as financial assets at fair value through profit or loss as their contractual cash flows are not solely payments of principal and interest.

15. PLEDGED DEPOSITS AND CASH AND CASH EQUIVALENTS

	2018	2017
	RMB'000	*RMB'000*
Cash and bank balances	**130,983**	127,389
Time deposits	**301,509**	72,306
	432,492	199,695
Less: Pledged deposits*	**(4,911)**	—
Cash and cash equivalents	**427,581**	199,695

* Bank deposits pledged for issuing of bank acceptance notes amounted to RMB4,911,000 (2017: Nil).

Cash at banks earns interest at floating rates based on daily bank deposit rates. Short term deposits are made for varying periods of between seven days and twelve months depending on the immediate cash requirements of the Group, and earn interest at the respective short-term deposit rates. The bank balances and short-term deposits are deposited with creditworthy banks with no recent history of default.

16. TRADE AND BILLS PAYABLES

An ageing analysis of the trade payables as at 31 December 2018 and 31 December 2017, based on the invoice date, is as follows:

	2018	2017
	RMB'000	*RMB'000*
Trade payables		
Within 30 days	**26,873**	20,305
31 to 90 days	**3,639**	2,350
91 to 180 days	**1,136**	1,043
181 to 360 days	**1,600**	1,347
	33,248	25,045
Bills payable	**3,300**	—
	36,548	25,045

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

17. SHARE CAPITAL

Shares

	2018	2017
	HK$'000	*HK$'000*
Issued and fully paid:		
3,445,450,000 (2017: 3,445,450,000) ordinary shares	**344,545**	344,545
Equivalent to RMB'000	**280,661**	280,661

MANAGEMENT DISCUSSION AND ANALYSIS

MARKET OVERVIEW

Amid the continuous slowdown of China's macro-economy, demonstrated by the weakest Gross Domestic Product growth rate ("**GDP**") of 6.6% for the past 28 years since 1990, the growth rate of total retail sales of consumer products has decreased by 1.2 percentage points from 10.2% in 2017 to 9.0% in 2018. The Growth rate of retail sales achieved by the top 100 key and large-scale retailers also decreased by 2.1 percentage points from 2.8% in 2017 to 0.7% in 2018.

Confronted with the ever-changing market place, the Group is searching for ways to better adapt to the competitive landscape. The Group reported a decrease in revenue by 2.2% from RMB918.3 million in 2017 to RMB898.3 million in 2018 and an increase in profit attributable to equity holders of the parent by 9.7% from RMB54.9 million in 2017 to RMB60.2 million in 2018.

FINANCIAL REVIEW

Revenue

We derive our revenue primarily from retail sales of our products to our end-consumers through self-operated retail points in department stores and shopping malls in major cities in the PRC, sales of products to third-party retailers who directly manage concession counters and retail stores in other cities in the PRC where we do not operate retail points and sales of products through online channels.

Our revenue is stated at the net invoiced value of goods sold after trade discounts.

The total revenue of the Group was RMB898.3 million in 2018, representing a decrease by RMB20.0 million, or approximately 2.2% as compared to RMB918.3 million in 2017. The decrease in revenue was mainly attributable to the decrease in revenue from sale of products to third-party retailers.

By sales channel

Revenue from sales of products through self-operated retail points decreased by RMB3.1 million, or 0.5%, from RMB688.0 million in 2017 to RMB684.9 million in 2018 and accounted for approximately 76.2% (2017: 74.9%) of the total revenue. The decrease in revenue was primarily due to the decrease in same store sales by 5.3%. In terms of the retail channel, we continued to see an increase in revenue from outlet stores by RMB1.8 million, or 0.8%, from RMB219.7 million in 2017 to RMB221.5 million in 2018.

Revenue from sales of products to third-party retailers decreased by RMB22.9 million, or 13.1% from RMB175.1 million in 2017 to RMB152.2 million in 2018 and accounted for approximately 16.9% (2017: 19.1%) of the total revenue. The decrease in revenue was primarily attributable to the decrease in number of retail points operated by third-party retailers.

Revenue from sales of products through online channels increased by RMB6.0 million, or 10.9%, from RMB55.2 million in 2017 to RMB61.2 million in 2018 and accounted for approximately 6.9% (2017: 6.0%) of the total revenue. The increase in revenue was primarily attributable to (i) an increase in sales from online discount platform such as VIP.com by RMB1.8 million or approximately 15.0% from RMB12.0 million in 2017 to RMB13.8 million in 2018; (ii) an increase in sales of products to online third-party retailers by RMB1.5 million or approximately 5.4%, from RMB27.8 million in 2017 to RMB29.3 million in 2018; and (iii) an increase in sales of product through our e-shops on Tmall.com and JD.com by RMB2.7 million or approximately 17.5%, from RMB15.4 million in 2017 to RMB18.1 million in 2018.

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

	Year ended 31 December			
	2018		2017	
	Revenue *RMB million*	**% of total revenue**	Revenue *RMB million*	% of total revenue
Retail sales from self-operated retailers	**684.9**	**76.2%**	688.0	74.9%
Sales to third-party retailers	**152.2**	**16.9%**	175.1	19.1%
Sales through online channels	**61.2**	**6.9%**	55.2	6.0%
Total	**898.3**	**100.0%**	918.3	100.0%

By Brand

Revenue contributed from self-owned brands increased by RMB6.2 million, or approximately 6.6%, from RMB94.3 million in 2017 to RMB100.5 million in 2018. Percentage of revenue from self-owned brands over total revenue has increased from 10.3% in 2017 to 11.2% in 2018.

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

	Year ended 31 December			
	2018		2017	
	Revenue *RMB million*	**% of total revenue**	Revenue *RMB million*	% of total revenue
Licensed brands	**797.8**	**88.8%**	824.0	89.7%
Self-owned brands	**100.5**	**11.2%**	94.3	10.3%
Total	**898.3**	**100.0%**	918.3	100.0%

Cost of sales

Our cost of sales decreased by RMB75.9 million, or approximately 26.0%, from RMB291.9 million in 2017 to RMB216.0 million in 2018. The decrease in cost of sales was primarily due to a mixed effect of (i) a decrease in inventory provisions by RMB104.4 million from write-down of inventories to net realisable value of RMB64.0 million in 2017 to a reversal of write-down of inventories to net realisable value of RMB40.4 million in 2018 as a result of our initiative to reduce the level of aged inventories; and partially offset by (ii) an increase in cost of inventories sold by RMB25.9 million from RMB212.7 million in 2017 to RMB238.6 million in 2018 due to the increase in units of inventories sold during the year.

Gross profit and gross profit margin

Our gross profit increased by RMB55.9 million, or approximately 8.9%, from RMB626.4 million in 2017 to RMB682.3 million in 2018 as a result of the decrease in cost of sales. Our overall gross profit margin also increased by 7.8 percentage points from 68.2% in 2017 to 76.0% in 2018, which was primarily due to the decrease in inventory provisions. Save for the inventory provisions, our overall gross profit margin would have been 72.4% in 2018, as compared with the gross profit margin at 75.2% in 2017. The decrease in gross profit margin excluding inventory provisions was mainly attributable to the increase in sales through outlet stores, bargain sales and online channels which have lower gross profit margins.

Other income and gains

Our other income and gains increased by RMB21.4 million, or approximately 83.3%, from RMB25.7 million in 2017 to RMB47.1 million in 2018, which was primarily due to an increase in government subsidies by RMB16.8 million and an increase in rental income by RMB3.3 million during the year.

Selling and distribution expenses

Our selling and distribution expenses increased by RMB18.5 million, or approximately 3.9%, from RMB477.2 million in 2017 to RMB495.7 million in 2018.

Rents and concession fees for occupying concession counters within department stores and department store charges decreased by RMB4.8 million, or approximately 2.0%, from RMB238.9 million in 2017 to RMB234.1 million in 2018, which was largely due to decrease in sales from self-operated retail points.

The labour costs related to sales and marketing staff increased from RMB91.7 million in 2017 to RMB106.9 million in 2018 which was primarily attributable to the increase in basic salary of the sales and marketing staff.

We incurred advertising and promotion expenses of RMB24.9 million (2017: RMB22.3 million) during the year for organizing promotion activities and spending on social media marketing to share our brand stories and product knowledge with our customers through WeChat, Weibo and mainstream websites such as Sina.com, Sohu.com etc.

Decoration fees for self-operated retail points decreased from RMB50.3 million in 2017 to RMB46.2 million in 2018 which was primarily attributable to the decrease in number of retail points opened during the year.

The other selling and distribution expenses, including royalty fees, freight and vehicle expenses, sample expenses, travelling expenses, office expenses and other operating expenses remained consistent during the both years indicated.

Administrative expenses

Our administrative expenses increased by RMB4.0 million, or approximately 6.7%, from RMB59.6 million in 2017 to RMB63.6 million in 2018 which was largely due to the increase in amortization of share option expenses of RMB0.9 million.

Impairment losses on financial assets, net

Impairment losses on financial assets mainly represented credit losses arising from trade receivables of RMB4.4 million (2017: RMB0.8 million).

Other expenses

Other expenses mainly included a loss on remeasurement of the previously held interest in a joint venture — MCS of RMB62.6 million (2017: Nil) and an exchange loss of RMB12.1 million arising from the depreciation of RMB against Hong Kong Dollars ("**HK$**") during the year (2017: RMB23.8 million).

Finance income

Our finance income decreased to RMB20.7 million in 2018 as compared to RMB28.7 million in 2017, representing a decrease by 27.9%, primarily due to the decrease in interest rate for short-term deposits during the year.

Share of profits and losses of joint ventures

Share of profits and losses of joint ventures represented share of profits of a joint venture — MCS of RMB4.1 million (2017: RMB2.8 million) which was partially offset by share of losses of joint ventures — Henry Cotton's and Marina Yachting of RMB0.5 million and RMB1.1 million, respectively (2017: share of losses of Henry Cotton's and Marina Yachting of RMB0.8 and RMB0.6 million, respectively).

Profit before tax

As a result of the foregoing factors, our profit before tax increased by RMB14.8 million, or approximately 15.9%, from RMB93.2 million in the 2017 to RMB108.0 million in 2018.

Income tax expense

Income tax expense increased by RMB9.7 million, or approximately 25.9%, from RMB37.4 million in 2017 to RMB47.1 million in 2018, which was primarily due to a mixed effect of (i) an increase in deferred tax expense by RMB32.5 million primarily arising from the decrease in deferred tax assets in respect of inventory provisions; and partially offset by (ii) a decrease in current income tax by RMB22.8 million. The decrease in current income tax mainly resulted from the receipt of income tax refund of RMB6.4 million by a subsidiary of the Group in PRC and utilisation of tax losses by certain subsidiaries of the Group in PRC in 2018.

Profit for the year

Profit for the year increased by RMB5.0 million, or approximately 9.0%, from RMB55.8 in 2017 to RMB60.8 in 2018. The net profit margin was 6.8% in 2018 which was largely consistent with 6.1% in 2017.

Profit attributable to equity holders of the parent

As a result of the foregoing, profit attributable to equity holders of the parent increased by RMB5.3 million, or approximately 9.7%, from RMB54.9 million in 2017 to RMB60.2 million in 2018.

Working Capital Management

	31 December 2018	31 December 2017
Inventory turnover days	**330**	269
Trade receivables turnover days	**47**	44
Trade payables turnover days	**49**	36

The increase in inventory turnover days by 61 days was mainly due to the acquisition of MCS business which resulted in a full consolidation of MCS inventories kept by the then joint venture of RMB11.3 million.

The turnover days of trade receivables and payables remained consistent for the both years indicated.

Liquidity, financial position and cash flows

As at 31 December 2018, we had net current assets of approximately RMB990.4 million, as compared to RMB902.6 million as at 31 December 2017. The current ratio of our Group was 3.9 times as at 31 December 2018, as compared to 3.9 times as at 31 December 2017.

There was no undrawn banking facility as at 31 December 2018.

As at 31 December 2018, we had an aggregate cash and cash equivalents, financial assets at fair value through profit or loss, pledged deposits and structured bank deposits of approximately RMB759.5 million. The table below sets forth selected cash flow data from our consolidated statement of cash flows:

	Year ended 31 December	
	2018	2017
	RMB million	*RMB million*
Net cash flows from operating activities	**52.1**	71.3
Net cash flows from investing activities	**27.3**	242.9
Net cash flows used in financing activities	**(0.3)**	(386.8)
Net increase/(decrease) in cash and cash equivalents	**79.1**	(72.6)
Effect of foreign exchange rate changes, net	**11.7**	42.2
Cash and cash equivalents at the beginning of the year	**127.4**	157.8
Cash and cash equivalents at the end of the year	**218.2**	127.4

Operating activities

Net cash flows from operating activities decreased by RMB19.2 million, or approximately 26.9%, from RMB71.3 million in 2017 to RMB52.1 million in 2018 which was primarily attributable to (i) a decrease in the operating cash inflows before changes in working capital by RMB37.6 million from RMB175.0 million in 2017 to RMB137.4 million in 2018; and (ii) a decrease in cash outflows from changes in working capital from RMB103.7 million in 2017 to RMB85.3 million in 2018.

Investing activities

Net cash flows from investing activities of RMB27.3 million mainly represented a decrease of investments in structured bank deposits of RMB167.8 million, partially offset by an increase of investments in short-term deposits with original maturity of over three months of RMB142.0 million.

Financing activities

There were no material cash flows generated from or used in financing activities during the year.

Pledge of Group assets

As at 31 December 2018, the Group pledged short-term bank deposits of RMB4.9 million for issuance of bank acceptance notes.

Capital commitments and contingent liabilities

As at 31 December 2018, the Group had capital commitments of approximately RMB47.7 million (31 December 2017: RMB69.9 million) and there were no significant contingent liabilities (31 December 2017: Nil).

Foreign exchange management

We conduct business primarily in Hong Kong and the PRC with most of our transactions denominated and settled in 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 2018, an aggregate of HK$43.5 million (equivalent to RMB37.8 million) was used for the acquisition of the remaining 50% equity interest in MCS business.

The table below sets forth the utilisation of the net proceeds from the IPO and the unused amount as at 31 December 2018. 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 31 December 2018** ***(HK$ million)***	Unutilised amount as at 31 December 2018 *(HK$ million)*
Licensing or acquisition of additional recognised international brands	47%	380.7	**278.0**	102.7
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	**618.2**	185.7

OPERATION REVIEW

Retail and distribution network

As at 31 December 2018, our sales network comprised a total of 576 self-operated retail points, consisting of concession counters, consignment stores and standalone stores, and 290 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 31 December 2018 and 31 December 2017:

	As at 31 December 2018			As at 31 December 2017		
Brand	**Self-operated retail points**	**Retail points operated by third-party retailers**	**Total retail points**	Self-operated retail points (reclassified)	Retail points operated by third-party retailers (reclassified)	Total retail points (reclassified)
Jeep	**242**	**276**	**518**	217	332	549
SBPRC	**170**	**10**	**180**	153	15	168
London Fog	**49**	**—**	**49**	48	—	48
MCS	**32**	**4**	**36**	36	—	36
Zoo York	**39**	**—**	**39**	23	1	24
Barbour	**19**	**—**	**19**	14	—	14
LINCS	**10**	**—**	**10**	14	—	14
Marina Yachting	**11**	**—**	**11**	10	—	10
Others	**4**	**—**	**4**	54	—	54
Total	**576**	**290**	**866**	569	348	917

Self-operated retail points

As at 31 December 2018, we had a network of 557 self-operated concession counters (31 December 2017: 550 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 180 were outlet stores as at 31 December 2018 (31 December 2017: 159 outlet stores).

As at 31 December 2018, we had a network of 19 standalone stores (31 December 2017: 19 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 challenging market conditions and evolving consumer behavior, the following adjustments were made to our strategy for self-operated retail points:

- a net increase by 21 outlet stores in response to changes in consumer behavior and sales growth in outlet store channel; and

- a net increase by 29 multi-brand lifestyle stores (31 December 2017: 9) during the year. The multi-brand lifestyle stores combine sophisticated store decorations and enriched product offerings that better demonstrate the culture and lifestyle of our brands.

Retail points operated by third party retailers

Under the current uncertain and ever-changing market conditions, our third-party retailers have become more conservative in placing orders and opening new stores. As at 31 December 2018, we had a total of 290 retail points that were operated by third-party retailers, representing a decrease by 16.7% as compared to 348 as at 31 December 2017.

Online Channels

We primarily sell past season products through online channels which consisted of (1) online discount platforms such as VIP.com; (ii) online third-party retailers; and (iii) our self-operated e-shops on mainstream online platforms such as Tmall.com, JD.com etc..

During the year, we participated in the just-in-time delivery program (the "**JIT Program**") of VIP.com, which allows us to receive orders placed by customers on VIP.com and make direct distribution of the products to customers from our warehouse. The JIT Program has significantly improved the efficiency of our order-fulfillment process and enhanced customer's shopping experience. We also actively developed new online third-party retailers for online retailing of our products and increased sales from our self-operated e-shops on online platforms such as Tmall.com, JD.com etc. during the year.

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 initiatives in brand portfolio diversification and building brand equity during the year included the followings:

MCS

The Group completed acquisition of 100% equity interest in the then joint venture — MCS Apparel Hong Kong Limited (曼瑟斯香港服飾有限公司) during the year and MCS became a brand fully owned by the Company. Adding MCS to the Company's portfolio of brands augments and complements the Company's multi-brand strategy and direct control business model.

Barbour

We, in collaboration with the Dandy King, a renowned buyer shop in China, organized a salon in Hangzhou in March 2018 to introduce the British lifestyle as well as the classic Barbour waxed cotton jackets. Almost 100 local celebrities attended the event. In May 2018, Barbour sponsored apparel for the 2018 China GT Championship in Beijing (2018年北京賽車節). We also attended the "Best British" exhibition in Shanghai in October 2018.

Zoo York

During the year, Zoo York sponsored the team uniform for the Taichi Team (太極電子競技戰隊), a renowned electronic sports team in China which won the third prize in the Samsung Cup (三星玄龍杯) for the game of "Player Unknown's Battle Grounds" (絕地求生).

LINCS

During the year, LINCS sponsored 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

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) in 2018.

Sponsorship of movies and TV shows

In 2018, we provided apparel from a number of our brands to the movie "A Lifetime Treasure" (如珠如寶) and the music video "My eyes" (我的眼睛). We also provided apparel to a number of celebrities including Mr. Andy Lau (劉德華先生), Mr. Patrick Tam (譚耀文先生), Mr. Alex Fong (方力申先生) and Mr. Zifeng Li (李子峰先生) etc. The TV dramas we sponsored including "Royal Highness" (回到明朝當王爺), "First Fight" (兄弟) and "Cold Cases" (冷案) were broadcasted during the year.

Business Digitalization

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, which in turn both enhances customers' shopping experience and drives our sales. Sales contributed by the self-developed O2O system increased by RMB6.7 million, or approximately 8.9%, from RMB74.9 million in 2017 to RMB81.6 million in 2018.

As our Customer Relationship Management (CRM) system has been online, we are also working on a customer loyalty program with an aim to further promote customer loyalty, encourage repeat purchases and cross-selling.

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 Barbour in London, LINCS in New York, Greg Norman in Sydney and Zoo York in Hong Kong.

Production and supply chain

Microchips with Radio Frequency Identification (RFID) technology have been implanted on product tags of our products. RFID reading devices have also be equipped in our new logistic centers in Shanghai and Guangzhou during the year to read and identify product information. The use of this new technology will significantly improve our 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 31 December 2018, the Group had approximately 2,461 full-time employees. Staff costs, including Directors' remuneration, totalled RMB136.0 million in 2018 (2017: RMB116.4 million).

The Company also operated a share option scheme (the "**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 273,000,000 options under the Share Option Scheme that was granted to 103 participants (including 7 directors) remain outstanding as at 31 December 2018.

Corporate Social Responsibility

Being a responsible corporate citizen is a core fundamental of our culture. During the year, we 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 Beijing Yongyuan Foundation (北京市永源公益基金會) for the purpose of supporting education in rural areas of China. A total donation of approximately RMB0.4 million was made by the Group to the above programs in 2018. The Group also made a donation of RMB0.2 million to the Red Cross Society of Shangrao Xinzhou Sub-branch (上饒市信州區紅十字會) in Jiangxi Province during the year.

We are 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

Combining the online and offline business seamlessly through information technology and business digitalisation remains our first priority for the year ending 31 December 2019. Therefore, we will focus on the following initiatives in 2019:

- launch our social network-based commerce and marketing program in collaboration with Weimob (微盟) and sell and deliver our products on WeChat in the form of WeChat Mini Programs and WeChat Official Accounts;

- encourage our sales staff and third-party retailers to use our self-developed O2O system as well as the online product picture system and cross-brand product sales function in order to increase the conversion rate at retail points and accelerate the response to ultimate consumers' demands for our products;

- roll out our customer loyalty program to increase interactions with customers and encourage repeat purchases;

- increase sales of aged inventories through factory outlets, bargain sales, discount stores and online channels; and

- to expand the retail network of our self-owned brands.

FINAL DIVIDENDS

The Board does not recommend to declare any final dividends in 2018 (2017: 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 year ended 31 December 2018.

CORPORATE GOVERNANCE

The Board believes that high corporate governance standards are essential in providing a framework for the Company to safeguard the interests of shareholders and to enhance corporate value and accountability. The Board is of the view that throughout the year ended 31 December 2018, 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, with the exception of code provision A.2.1.

According to code provision A.2.1, the roles of chairman and chief executive should be separate and should not be performed by the same individual. The Company deviates from this code provision because both the chairman and chief executive officer ("**CEO**") positions of the Company are held by Mr. Zhang Yongli. The Board believes that vesting the roles of Chairman and CEO in the same person provides the Group with strong and consistent leadership and allows for efficient business planning and decisions under the current situation.

PURCHASE, REDEMPTION OR SALE OF SHARES OF THE COMPANY

During the year ended 31 December 2018, 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. Pursuant to the terms of the rules and trust deed of the Share Award Scheme, a total of 1,372,000 shares of the Company at a total consideration of about HK$292,000 (equivalent to RMB250,000) were purchased on the Stock Exchange for the year ended 31 December 2018.

AUDIT COMMITTEE

The audit committee has discussed with the management regarding the risk management and internal control systems and financial reporting matters related to the preparation of the consolidated financial statements for the year ended 31 December 2018. It has also reviewed the said consolidated financial statements.

The figures in respect of the Group's consolidated statement of financial position, consolidated statement of profit or loss, the consolidated statement of comprehensive income, and the related notes thereto for the year ended 31 December 2018 as set out in the preliminary announcement have been agreed by the Company's auditors to the amounts set out in the Group's draft consolidated financial statements for the year. The work performed by the Company's auditors in this respect did not constitute an assurance engagement in accordance with Hong Kong Standards on Auditing, Hong Kong Standards on Review Engagements or Hong Kong Standards on Assurance Engagements issued by the Hong Kong Institute of Certified Public Accountants and consequently no assurance has been expressed by the Company's auditors on the preliminary announcement.

RECORD DATE FOR ENTITLEMENT TO ATTEND AND VOTE AT THE ANNUAL GENERAL MEETING

All the shareholders of the Company whose names appear on the register of members of the Company at the close of business on Monday, 6 May 2019 will be entitled to attend and vote at the Annual General Meeting of the Company to be held on Friday, 10 May 2019 at 2:00 p.m. (the "**AGM**"). In order to be eligible to attend and vote at the AGM, all transfers of shares, accompanied by the relevant share certificates, must be lodged with the Company's branch share registrars in Hong Kong, Tricor Investor Services Limited, at Level 22, Hopewell Centre, 183 Queen's Road East, Hong Kong, for registration no later than 4:30 p.m. on Monday, 6 May 2019.

PUBLICATION OF THE ANNUAL RESULTS ANNOUNCEMENT AND ANNUAL REPORT

This result announcement is published on the website of the Company at www.cohl.hk and Hong Kong Exchanges and Clearing Limited at www.hkexnews.hk. The 2018 Annual Report and the Notice of AGM will be despatched to the shareholders of the Company and available on the same websites on or about 8 April 2019.

APPRECIATION

Dedicated and loyal employees are our most valuable asset in this challenging and difficult year. We would like to take this opportunity to thank our colleagues on the Board and the staff members of the Group for their hard work, loyal service and contributions during the year.

By Order of the Board
China Outfitters Holdings Limited
Zhang Yongli
Chairman

Hong Kong, 18 March 2019

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