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 2019

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 six months ended 30 June 2019, together with the comparative figures for the corresponding period in 2018, as follows:

FINANCIAL HIGHLIGHTS

	Six months ended 30 June		
	2019	2018	
	RMB million	*RMB million*	*Changes*
	(Unaudited)	(Unaudited)	
REVENUE	**405.8**	445.7	(9.0%)
Gross profit	**318.1**	333.1	(4.5%)
Gross profit margin	***78.4%***	*74.7%*	*+3.7 p.p.t.*
Operating profit	**45.5**	76.1	(40.2%)
Operating profit margin	***11.2%***	*17.1%*	*(5.9 p.p.t.)*
Profit attributable to owners of the parent	**30.7**	57.2	(46.3%)
Basic earnings per share — *RMB cent*	**0.90**	1.67	(46.1%)

INTERIM CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS

For the six months ended 30 June 2019

	Notes	Six months ended 30 June 2019 RMB'000 (Unaudited)	2018 RMB'000 (Unaudited)
REVENUE	5	**405,827**	445,716
Cost of sales		**(87,722)**	(112,582)
Gross profit		**318,105**	333,134
Other income and gains	6	**16,984**	35,279
Selling and distribution expenses		**(237,491)**	(253,560)
Administrative expenses		**(45,905)**	(27,401)
Impairment losses on financial assets, net		**(1,748)**	(1,475)
Other expenses		**(4,479)**	(9,884)
Operating profit		**45,466**	76,093
Finance income	7	**10,167**	13,196
Finance costs		**(789)**	—
Share of profits and losses of:			
Joint ventures		**(118)**	1,537
An associate		**(2,417)**	(512)
PROFIT BEFORE TAX	8	**52,309**	90,314
Income tax expense	9	**(21,757)**	(32,076)
PROFIT FOR THE PERIOD		**30,552**	58,238
Attributable to:			
Owners of the parent	11	**30,749**	57,176
Non-controlling interests		**(197)**	1,062
		30,552	58,238
EARNINGS PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE PARENT			
Basic and diluted			
— For profit for the period	11	**RMB0.90 cents**	RMB1.67 cents

INTERIM CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the six months ended 30 June 2019

	Notes	Six months ended 30 June 2019 RMB'000 (Unaudited)	2018 RMB'000 (Unaudited)
PROFIT FOR THE PERIOD		**30,552**	58,238
OTHER COMPREHENSIVE INCOME			
Other comprehensive income that may be reclassified to profit or loss in subsequent periods:			
Exchange differences on translation of financial statements		**97**	5,434
Net other comprehensive income that may be reclassified to profit or loss in subsequent periods		**97**	5,434
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		**6,214**	(17,261)
Income tax effect		**(1,643)**	4,315
Net other comprehensive income/(loss) that will not be reclassified to profit or loss in subsequent periods		**4,571**	(12,946)
OTHER COMPREHENSIVE INCOME/(LOSS) FOR THE PERIOD, NET OF TAX		**4,668**	(7,512)
TOTAL COMPREHENSIVE INCOME FOR THE PERIOD		**35,220**	50,726
Attributable to:			
Owners of the parent		**35,417**	49,682
Non-controlling interests		**(197)**	1,044
		35,220	50,726

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 2019

	Notes	30 June 2019 RMB'000 (Unaudited)	31 December 2018 RMB'000 (Audited)
NON-CURRENT ASSETS			
Property, plant and equipment		**270,300**	255,315
Investment properties		**47,471**	48,724
Right-of-use assets		**64,928**	—
Prepaid land lease payments		—	40,368
Investments in joint ventures		**37,074**	37,129
Investment in an associate		**11,672**	14,039
Equity investments designated at fair value through other comprehensive income		**32,772**	26,172
Goodwill		**72,123**	72,123
Other intangible assets		**119,874**	124,889
Deferred tax assets		**184,325**	188,096
Total non-current assets		**840,539**	806,855
CURRENT ASSETS			
Inventories	*12*	**221,792**	220,751
Properties under development	*13*	**163,219**	145,438
Trade and bills receivables	*14*	**92,284**	113,166
Prepayments, other receivables and other assets		**126,227**	89,728
Dividend receivable		**5,156**	5,136
Structured bank deposits	*15*	**155,504**	101,958
Financial assets at fair value through profit or loss	*16*	**138,000**	225,000
Pledged deposits		—	4,911
Cash and cash equivalents		**411,626**	427,581
Total current assets		**1,313,808**	1,333,669
CURRENT LIABILITIES			
Trade and bills payables	*17*	**29,205**	36,548
Other payables and accruals		**140,933**	134,038
Tax payable		**135,824**	172,714
Total current liabilities		**305,962**	343,300
NET CURRENT ASSETS		**1,007,846**	990,369
TOTAL ASSETS LESS CURRENT LIABILITIES		**1,848,385**	1,797,224

	Notes	30 June 2019 RMB'000 (Unaudited)	31 December 2018 RMB'000 (Audited)
NON-CURRENT LIABILITIES			
Other payables and accruals		**6,340**	—
Deferred tax liabilities		**21,877**	18,894
Total non-current liabilities		**28,217**	18,894
Net assets		**1,820,168**	1,778,330
EQUITY			
Equity attributable to owners of the parent			
Share capital	*18*	**280,661**	280,661
Shares held for share award scheme		**(10,259)**	(10,031)
Reserves		**1,550,168**	1,507,905
		1,820,570	1,778,535
Non-controlling interests		**(402)**	(205)
Total equity		**1,820,168**	1,778,330

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 six months period ended 30 June 2019 (the "**Relevant Period**").

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 2018.

3. CHANGES IN ACCOUNTING POLICIES AND DISCLOSURES

The accounting policies adopted in the preparation of the interim condensed consolidated financial information are consistent with those applied in the preparation of the Group's annual consolidated financial statements for the year ended 31 December 2018, except for the adoption of new and revised International Financial Reporting Standards ("**IFRSs**") effective as of 1 January 2019.

Amendments to IFRS 9	*Prepayment Features with Negative Compensation*
IFRS 16	*Leases*
Amendments to IAS 19	*Plan Amendment, Curtailment or Settlement*
Amendments to IAS 28	*Long-term Interests in Associates and Joint Ventures*
IFRIC 23	*Uncertainty over Income Tax Treatments*
Annual Improvements 2015–2017 Cycle	Amendments to IFRS 3, IFRS 11, IAS 12 and IAS 23

Other than as explained below regarding the impact of IFRS 16 *Leases*, Amendments to IAS 28 *Long-term Interests in Associates and Joint Ventures* and IFRIC 23 *Uncertainty over Income Tax Treatments*, the new and revised standards are not relevant to the preparation of the Group's interim condensed consolidated financial information. The nature and impact of the new and revised IFRSs are described below:

(a) IFRS 16 replaces IAS 17 *Leases*, IFRIC 4 *Determining whether an Arrangement contains a Lease*, SIC 15 *Operating Leases — Incentives* and SIC 27 *Evaluating the Substance of Transactions Involving the Legal Form of a Lease*. The standard sets out the principles for the recognition, measurement, presentation and disclosure of leases and requires lessees to account for all leases under a single on-balance sheet model. Lessor accounting under IFRS 16 is substantially unchanged from IAS 17. Lessors will continue to classify leases as either operating or finance leases using similar principles as in IAS 17. Therefore, IFRS 16 did not have any financial impact on leases where the Group is the lessor.

The Group adopted IFRS 16 using the modified retrospective method of adoption with the date of initial application of 1 January 2019. Under this method, the standard is applied retrospectively with the cumulative effect of initial adoption as an adjustment to the opening balance of retained earnings at 1 January 2019, and the comparative information for 2018 was not restated and continues to be reported under IAS 17.

New definition of a lease

Under IFRS 16, a contract is, or contains a lease if the contract conveys a right to control the use of an identified asset for a period of time in exchange for consideration. Control is conveyed where the customer has both the right to obtain substantially all of the economic benefits from use of the identified asset and the right to direct the use of the identified asset. The Group elected to use the transition practical expedient allowing the standard to be applied only to contracts that were previously identified as leases applying IAS 17 and IFRIC 4 at the date of initial application. Contracts that were not identified as leases under IAS 17 and IFRIC 4 were not reassessed. Therefore, the definition of a lease under IFRS 16 has been applied only to contracts entered into or changed on or after 1 January 2019.

At inception or on reassessment of a contract that contains a lease component, the Group allocates the consideration in the contract to each lease and non-lease component on the basis of their standard-alone prices. A practical expedient is available to a lessee, which the Group has adopted, not to separate non-lease components and to account for the lease and the associated non-lease components (e.g., property management services for leases of properties) as a single lease component.

As a lessee — Leases previously classified as operating leases

Nature of the effect of adoption of IFRS 16

The Group has lease contracts for various items of property. As a lessee, the Group previously classified leases as either finance leases or operating leases based on the assessment of whether the lease transferred substantially all the rewards and risks of ownership of assets to the Group. Under IFRS 16, the Group applies a single approach to recognise and measure right-of-use assets and lease liabilities for all leases, except for two elective exemptions for leases of low value assets (elected on a lease by lease basis) and short-term leases (elected by class of underlying asset).

Impacts on transition

Lease liabilities at 1 January 2019 were recognised based on the present value of the remaining lease payments, discounted using the incremental borrowing rate at 1 January 2019 and included in other payables and accruals.

The right-of-use assets were measured at the amount of the lease liability, adjusted by the amount of any prepaid or accrued lease payments relating to the lease recognised in the statement of financial position immediately before 1 January 2019. All these assets were assessed for any impairment based on IAS 36 on that date. The Group elected to present the right-of-use assets separately in the statement of financial position.

The impacts arising from the adoption of IFRS 16 as at 1 January 2019 are as follows:

	Increase/ (decrease) *RMB'000* (Unaudited)
Assets	
Increase in right-of-use assets	85,287
Decrease in prepaid land lease payments	(40,368)
Decrease in prepayments, other receivables and other assets	(1,049)
Increase in total assets	43,870
Liabilities	
Increase in other payables and accruals	43,870
Increase in total liabilities	43,870

The lease liabilities as at 1 January 2019 reconciled to the operating lease commitments as at 31 December 2018 is as follows:

	RMB'000 (Unaudited)
Operating lease commitments as at 31 December 2018	49,407
Weighted average incremental borrowing rate as at 1 January 2019	4.52%
Discounted operating lease commitments as at 1 January 2019	43,870
Lease liabilities as at 1 January 2019	43,870

Summary of new accounting policies

The accounting policy for leases as disclosed in the annual financial statements for the year ended 31 December 2018 is replaced with the following new accounting policies upon adoption of IFRS 16 from 1 January 2019:

Right-of-use assets

Right-of-use assets are recognised at the commencement date of the lease. Right-of-use assets are measured at cost, less any accumulated depreciation and any impairment losses, and adjusted for any remeasurement of lease liabilities. When the right-of-use assets relate to interests in leasehold land held as properties under development, they are subsequently measured at the lower of cost and net realisable value in accordance with the Group's policy for "properties under development". The cost of right-of-use assets includes the amount of lease liabilities recognised, initial direct costs incurred, and lease payments made at or before the commencement date less any lease incentives received. Unless the Group is reasonably certain to obtain ownership of the leased asset at the end of the lease term, the recognised right-of-use assets are depreciated on a straight-line basis over the shorter of the estimated useful life and the lease term. When a right-of-use asset meets the definition of investment property, it is included in investment properties. The corresponding right-of-use asset is initially measured at cost, and subsequently measured at cost less accumulated depreciation and accumulated impairment losses, if any, in accordance with the Group's policy for 'investment properties'.

Lease liabilities

Lease liabilities are recognised at the commencement date of the lease at the present value of lease payments to be made over the lease term. The lease payments include fixed payments (including in-substance fixed payments) less any lease incentives receivable, variable lease payments that depend on an index or a rate, and amounts expected to be paid under residual value guarantees. The lease payments also include the exercise price of a purchase option reasonably certain to be exercised by the Group and payments of penalties for termination of a lease, if the lease term reflects the Group exercising the option to terminate. The variable lease payments that do not depend on an index or a rate are recognised as an expense in the period in which the event or condition that triggers the payment occurs.

In calculating the present value of lease payments, the Group uses the incremental borrowing rate at the lease commencement date if the interest rate implicit in the lease is not readily determinable. After the commencement date, the amount of lease liabilities is increased to reflect the accretion of interest and reduced for the lease payments made. In addition, the carrying amount of lease liabilities is remeasured if there is a modification, a change in future lease payments arising from change in an index or rate, a change in the lease term, a change in the in-substance fixed lease payments or a change in assessment to purchase the underlying asset.

Amounts recognised in the interim condensed consolidated statement of financial position and profit or loss

The carrying amounts of the Group's right-of-use assets and lease liabilities (included within "other payables and accruals"), and the movement during the period are as follow:

	Right-of-use assets			
	Prepaid land lease payments *RMB'000*	**Property** *RMB'000*	**Subtotal** *RMB'000*	**Lease Liabilities** *RMB'000*
As at 1 January 2019	41,417	43,870	85,287	43,870
Additions	—	3,563	3,563	3,563
Depreciation charge	(524)	(23,398)	(23,922)	—
Interest expenses	—	—	—	789
Payments	—	—	—	(23,807)
As at 30 June 2019	40,893	24,035	64,928	24,415

(b) Amendments to IAS 28 clarify that the scope exclusion of IFRS 9 only includes interests in an associate or joint venture to which the equity method is applied and does not include long-term interests that in substance form part of the net investment in the associate or joint venture, to which the equity method has not been applied. Therefore, an entity applies IFRS 9, rather than IAS 28, including the impairment requirements under IFRS 9, in accounting for such long-term interests. IAS 28 is then applied to the net investment, which includes the long-term interests, only in the context of recognising losses of an associate or joint venture and impairment of the net investment in the associate or joint venture. The Group assessed its business model for its long-term interests in associates and joint ventures upon adoption of the amendments on 1 January 2019 and concluded that the long-term interests in associates and joint ventures continue to be measured at amortised cost in accordance with IFRS 9. Accordingly, the amendments did not have any impact on the Group's interim condensed consolidated financial information

(c) IFRIC 23 addresses the accounting for income taxes (current and deferred) when tax treatments involve uncertainty that affects the application of IAS 12 (often referred to as "uncertain tax positions"). The interpretation does not apply to taxes or levies outside the scope of IAS 12, nor does it specifically include requirements relating to interest and penalties associated with uncertain tax treatments. The interpretation specifically addresses (i) whether an entity considers uncertain tax treatments separately; (ii) the assumptions an entity makes about the examination of tax treatments by taxation authorities; (iii) how an entity determines taxable profits or tax losses, tax bases, unused tax losses, unused tax credits and tax rates; and (iv) how an entity considers changes in facts and circumstances. Upon adoption of the interpretation, the Group considered whether it has any uncertain tax positions arising from the transfer pricing on its intergroup sales. Based on the Group's tax compliance and transfer pricing study, the Group determined that it is probable that its transfer pricing policy will be accepted by the tax authorities. Accordingly, the interpretation did not have any significant impact on the Group's interim condensed consolidated financial information.

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 makers in order to allocate resources to segments and to assess their performance. The information reported to the directors of the Company (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.

During the Relevant Period, the external revenue of the Group attributable to customers established in the PRC, the place of domicile of the Group's operating entities, amounted to RMB403,423,000, accounting for 99.4% of the total external revenue. 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 revenue during the Relevant Period presented.

5. REVENUE

An analysis of revenue is as follows:

	Six months ended 30 June	
	2019	2018
	RMB'000	*RMB'000*
	(Unaudited)	(Unaudited)
Revenue from contracts with customers		
Sale of goods	**405,827**	445,716

(i) Disaggregated revenue information for revenue from contracts with customers

	Six months ended 30 June	
	2019	2018
	RMB'000	*RMB'000*
	(Unaudited)	(Unaudited)
Type of goods		
Sale of apparel and accessories	**405,827**	445,716
Timing of revenue recognition		
Goods transferred at a point in time	**405,827**	445,716

(ii) Performance obligation

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

Sales of products

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

6. OTHER INCOME AND GAINS

An analysis of other income and gains is as follows:

	Six months ended 30 June	
	2019	2018
	RMB'000	*RMB'000*
	(Unaudited)	(Unaudited)
Other income		
Government subsidies*	**10,694**	30,152
Arrangement fees#	**114**	41
Rental income, net	**1,491**	1,536
Sale of software	**569**	924
External order processing income	**35**	857
Sale of consumables, net	**8**	18
	12,911	33,528
Other Gains		
Exchange gains, net	**3,662**	—
Fair value gains, net		
Financial assets at fair value through profit or loss	**—**	1,244
Others	**411**	507
	4,073	1,751
	16,984	35,279

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

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

7. FINANCE INCOME

	Six months ended 30 June	
	2019	2018
	RMB'000	*RMB'000*
	(Unaudited)	(Unaudited)
Interest income on bank deposits	**5,930**	1,535
Interest income on structured bank deposits and wealth management products	**4,206**	11,247
Others	**31**	414
	10,167	13,196

8. PROFIT BEFORE TAX

	Six months ended 30 June	
	2019	2018
	RMB'000	*RMB'000*
	(Unaudited)	(Unaudited)
Cost of inventories sold	**94,980**	113,086
Depreciation:		
Property, plant and equipment	**8,122**	6,877
Investment properties	**1,253**	880
	9,375	7,757
Employee benefit expenses (including directors' remuneration):		
Wages and salaries	**63,246**	63,003
Equity-settled share option expenses	**6,846**	—
Pension scheme contributions	**6,369**	7,362
	76,461	70,365
Depreciation of right-of-use assets	**23,922**	—
Variable lease payments and department store charges	**86,713**	117,843
Amortisation of prepaid land lease payments	**—**	524
Amortisation of other intangible assets*	**786**	786
Impairment of other intangible assets^	**4,479**	2,206
Impairment of financial assets, net		
(Reversal of)/impairment of trade receivables, net	**1,748**	(1,025)
Impairment of financial assets included in prepayments, other receivables and other assets	**—**	2,500
Fair value gains, net:		
Financial assets at fair value through profit or loss	**—**	(1,244)
Reversal of write-down of inventories to net realisable value#	**(14,033)**	(8,195)
Foreign exchange differences, net	**(3,662)**	7,620

* The amortisation of other intangible assets is included in "Administrative expenses" in the interim condensed consolidated statement of profit or loss.

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

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

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 period.

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 Relevant Period.

	Six months ended 30 June	
	2019	2018
	RMB'000	*RMB'000*
	(Unaudited)	(Unaudited)
Current — PRC		
Charge for the period	**16,612**	22,530
Deferred	**5,145**	9,546
Total tax charge for the period	**21,757**	32,076

10. DIVIDENDS

The Board does not recommend to declare any interim dividends or final dividends for the Relevant Period and the year ended 31 December 2018, respectively.

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

The calculation of basic earnings per share is based on the profit for the Relevant Period attributable to owners of the parent of RMB30,749,000 (six months ended 30 June 2018: RMB57,176,000) and the weighted average number of ordinary shares of 3,423,945,000 (six months ended 30 June 2018: 3,425,688,000) shares 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 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:

	Six months ended 30 June	
	2019	2018
	RMB'000	*RMB'000*
	(Unaudited)	(Unaudited)
Earnings		
Profit attributable to owners of the parent, used in the basic earnings per share calculation	**30,749**	57,176

	Number of shares Six months ended 30 June	
	2019	2018
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	**(21,505,000)**	(19,762,000)
Adjusted weighted average number of ordinary shares in issue used in the basic earnings per share calculation	**3,423,945,000**	3,425,688,000

12. INVENTORIES

	30 June	31 December
	2019	2018
	RMB'000	*RMB'000*
	(Unaudited)	(Audited)
Raw materials	**21,340**	16,587
Work in progress	**7,650**	8,805
Finished goods	**192,802**	195,359
	221,792	220,751

13. PROPERTIES UNDER DEVELOPMENT

	30 June 2019 *RMB'000* (Unaudited)	31 December 2018 *RMB'000* (Audited)
Properties under development expected to be recovered:		
Within one year	**163,219**	145,438

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

14. TRADE AND BILLS RECEIVABLES

	30 June 2019 *RMB'000* (Unaudited)	31 December 2018 *RMB'000* (Audited)
Trade receivables	**102,365**	121,475
Impairment of trade receivables	**(10,181)**	(8,432)
Trade receivables, net	**92,184**	113,043
Bills receivable	**100**	123
	92,284	113,166

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 the end of the reporting period, based on the invoice date and net of loss allowance, and the balances of bills receivables, are as follows:

	30 June 2019	31 December 2018
	RMB'000	*RMB'000*
	(Unaudited)	(Audited)
Trade receivables		
Within 60 days	**78,010**	103,588
61 to 90 days	**5,332**	3,738
91 to 180 days	**4,931**	2,042
181 to 360 days	**3,911**	3,675
	92,184	113,043
Bills receivable	**100**	123
	92,284	113,166

The bills receivable were due to mature within three months.

15. STRUCTURED BANK DEPOSITS

	30 June 2019	31 December 2018
	RMB'000	*RMB'000*
	(Unaudited)	(Audited)
Structured bank deposits, in licensed banks in China, at amortised cost	**155,504**	101,958

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

16. FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS

	30 June 2019	31 December 2018
	RMB'000	*RMB'000*
	(Unaudited)	(Audited)
Wealth management products, at fair value	**138,000**	225,000

As at 30 June 2019 and 31 December 2018, the above wealth management products measured at fair value were issued by banks and securities companies in the 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.

As at 30 June 2019, the wealth management products of RMB138,000,000 had a maturity period of 181 to 358 days from the date of subscription ranging from 23 January 2019 to 21 March 2019.

17. TRADE AND BILLS PAYABLES

An ageing analysis of the trade payables as at 30 June 2019 and 31 December 2018, based on the invoice date, is as follows:

	30 June 2019 *RMB'000* **(Unaudited)**	31 December 2018 *RMB'000* (Audited)
Trade payables		
Within 30 days	**18,589**	26,873
31 to 90 days	**7,290**	3,639
91 to 180 days	**1,567**	1,136
Over 181 days	**1,759**	1,600
	29,205	33,248
Bills payable	**—**	3,300
	29,205	36,548

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

18. SHARE CAPITAL

Shares

	30 June 2019 *HK$'000* **(Unaudited)**	31 December 2018 *HK$'000* (Audited)
Issued and fully paid:		
3,445,450,000 (31 December 2018: 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 6.3% for the past 29 years since 1990, the Relevant Period continued to be difficult and challenging. The growth rate of total retail sales of consumer products decreased by 1.0 percentage point from 9.4% in the six months ended 30 June 2018 to 8.4% for the Relevant Period. Moreover, The growth rate of retail sales achieved by the top 100 key and large-scale retailers also decreased by 1.4 percentage points from 1.7% in the six months ended 30 June 2018 to 0.3% for the Relevant Period.

Confronted with the continuous slowdown in growth of the macro-economy and weak retail market sentiment, together with the impact of e-commerce on conventional retailers, the Group reported a decrease in revenue by 9.0% from RMB445.7 million in the six months ended 30 June 2018 to RMB405.8 million in the Relevant Period and a decrease in profit attributable to owners of the parent by 46.3% from RMB57.2 million in the six months ended 30 June 2018 to RMB30.7 million in the Relevant Period.

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 RMB405.8 million in the Relevant Period, representing a decrease by RMB39.9 million, or approximately 9.0% as compared to RMB445.7 million in the six months ended 30 June 2018.

By sales channels

Revenue from sales of products through self-operated retail points decreased by RMB28.1 million, or approximately 8.2%, from RMB344.6 million in the six months ended 30 June 2018 to RMB316.5 million in the Relevant Period and accounted for approximately 78.0% (six months ended 30 June 2018: 77.3%) of the total revenue. The decrease in revenue was primarily due to the decrease in number of self-operated retail points as well as the decrease in same store sales by 11.1%. In terms of the retail channels, the revenue from outlet stores also decreased by RMB3.5 million, or approximately 3.1%, from RMB111.6 million in the six months ended 30 June 2018 to RMB108.1 million in the Relevant Period.

Revenue from sales of products to third-party retailers decreased by RMB5.9 million, or approximately 8.7%, from RMB67.9 million in the six months ended 30 June 2018 to RMB62.0 million in the Relevant Period and accounted for approximately 15.3% (six months ended 30 June 2018: 15.2%) of the total revenue. The decrease in revenue was primarily attributable to the decrease in number of retail points operated by third-party retailers which led to a decrease in sales orders from the third-party retailers.

Revenue from sales of products through online channels decreased by RMB5.9 million, or approximately 17.8%, from RMB33.2 million in the six months ended 30 June 2018 to RMB27.3 million in the Relevant Period and accounted for approximately 6.7% (six months ended 30 June 2018: 7.5%) of the total revenue. The decrease in revenue was primarily attributable to (i) a decrease in sales from online discount platform such as VIP.com by RMB2.8 million, or approximately 24.3%, from RMB11.5 million in the six months ended 30 June 2018 to RMB8.7 million in the Relevant Period; (ii) a decrease in sales of products to online third-party retailers by RMB2.3 million or approximately 16.9%, from RMB13.6 million in the six months ended 30 June 2018 to RMB11.3 million in the Relevant Period; and (iii) a decrease in sales of product through our e-shops on Tmall.com and JD.com by RMB0.8 million, or approximately 9.9%, from RMB8.1 million in the six months ended 30 June 2018 to RMB7.3 million in the Relevant Period.

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:

	Six months ended 30 June			
	2019		2018	
	Revenue RMB million	***% of total revenue***	*Revenue RMB million*	*% of total revenue*
Retail sales from self-operated retailers	**316.5**	**78.0%**	344.6	77.3%
Sales to third-party retailers	**62.0**	**15.3%**	67.9	15.2%
Sales through online channels	**27.3**	**6.7%**	33.2	7.5%
Total	**405.8**	**100.0%**	445.7	100.0%

By Brand

Revenue contributed from self-owned brands decreased by RMB0.9 million, or approximately 1.9%, from RMB47.8 million in the six months ended 30 June 2018 to RMB46.9 million in the Relevant Period. Percentage of revenue from self-owned brands over total revenue increased from 10.7% in the six months ended 30 June 2018 to 11.6% in the Relevant Period.

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

	Six months ended 30 June			
	2019		2018	
	Revenue RMB million	***% of total revenue***	*Revenue RMB million*	*% of total revenue*
Licensed brands	**358.9**	**88.4%**	397.9	89.3%
Self-owned brands	**46.9**	**11.6%**	47.8	10.7%
Total	**405.8**	**100.0%**	445.7	100.0%

Cost of sales

Our cost of sales decreased by RMB24.9 million, or approximately 22.1%, from RMB112.6 million in the six months ended 30 June 2018 to RMB87.7 million in the Relevant Period. The decrease in cost of sales was primarily due to (i) a decrease in cost of inventories sold from RMB113.1 million in the six months ended 30 June 2018 to RMB95.0 million in the Relevant Period resulting from the decrease in sales; and (ii) a decrease in inventory provisions by RMB5.8 million as a result of our initiatives to reduce the level of aged inventories.

Gross profit and gross profit margin

Our gross profit decreased by RMB15.0 million, or approximately 4.5%, from RMB333.1 million in the six months ended 30 June 2018 to RMB318.1 million in the Relevant Period as a result of the decrease in sales. Our overall gross profit margin increased by 3.7 percentage points from 74.7% in the six months ended 30 June 2018 to 78.4% in the Relevant Period, which was primarily due to the decrease in inventory provisions. Save for the inventory provisions, our overall gross profit margin would have been 74.9% in the Relevant Period, which was largely consisted with the gross profit margin at 72.9% in the six months ended 30 June 2018.

Other income and gains

Our other income and gains decreased by RMB18.3 million, or approximately 51.8%, from RMB35.3 million in the six months ended 30 June 2018 to RMB17.0 million in the Relevant Period, which was primarily due to a decrease in government subsidies by RMB19.5 million from RMB30.2 million in the six months ended 30 June 2018 to RMB10.7 million in the Relevant Period.

Selling and distribution expenses

Our selling and distribution expenses decreased by RMB16.1 million, or approximately 6.3%, from RMB253.6 million in the six months ended 30 June 2018 to RMB237.5 million in the Relevant Period.

Rents, concession fees and department store charges are comprised of depreciation of right-of-use assets of RMB22.9 million and variable lease payments and department store charges of RMB86.7 million, and mainly stand for rents and concession fees for occupying concession counters within department stores and department store charges. Rents, concession fees and department store charges decreased by RMB8.2 million, or approximately 7.0%, from RMB117.8 million in the six months ended 30 June 2018 to RMB109.6 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 and outsourcing costs related to sales and marketing activities increased from RMB53.2 million in the six months ended 30 June 2018 to RMB54.5 million in the Relevant Period. Such increase was primarily attributable to the increase in basic salary of the sales and marketing staff.

We incurred advertising and promotion expenses of RMB9.9 million (six months ended 30 June 2018: RMB15.7 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 customers through WeChat, Weibo, toutiao.com and mainstream websites such as Sina.com, Sohu.com etc.

Consumables and decoration fees for self-operated retail points increased from RMB9.8 million in the six months ended 30 June 2018 to RMB12.0 million in the Relevant Period which was primarily attributable to the continuous upgrading of store image for our Jeep and Santa Barbara Polo & Racquet Club ("**SBPRC**") stores.

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

Administrative expenses

Administrative expenses increased by RMB18.5 million, or approximately 67.5%, from RMB27.4 million in the six months ended 30 June 2018 to RMB45.9 million in the Relevant Period. The increase in administrative expenses was mainly due to an increase in labour cost related to managerial staff and an amortisation of share option expenses by RMB13.8 million.

Impairment losses on financial assets, net

Impairment losses on financial assets mainly represented credit losses arising from trade receivables of RMB1.7 million (six months ended 30 June 2018: an impairment of other receivables of RMB2.5 million and a reversal of impairment of trade receivables of RMB1.0 million).

Other expenses

Other expenses mainly represented an impairment on trademark — London Fog of RMB4.5 million (six months ended 30 June 2018: RMB2.2 million).

Finance income

Our finance income decreased to RMB10.2 million in the Relevant Period as compared to that of RMB13.2 million in the six months ended 30 June 2018, representing a decrease by 22.7%. The Group has deposited bank deposits of RMB316.8 million in licensed banks in Hong Kong, which accounted for approximately 77.0% of the cash and cash equivalents balance as at 30 June 2019. As the bank interest rate in Hong Kong was lower than the bank interest rate in China, the finance income decreased in the Relevant Period.

Share of profits and losses of joint ventures

Share of profits and losses of joint ventures represented share of gains of a joint venture — Marina Yachting of RMB0.1 million and losses of a joint venture — Henry Cotton's of RMB0.2 million, respectively (six months ended 30 June 2018: share of losses of Henry Cotton's and Marina Yachting was RMB0.2 million and RMB0.2 million, respectively).

Profit before tax

As a result of the foregoing factors, our profit before tax decreased by RMB38.0 million, or approximately 42.1%, from RMB90.3 million in the six months ended 30 June 2018 to RMB52.3 million in the Relevant Period.

Income tax expense

Income tax expense decreased by RMB10.3 million, or approximately 32.1%, from RMB32.1 million in the six months ended 30 June 2018 to RMB21.8 million in the Relevant Period, which was primarily due to (i) a decrease in current income tax by RMB5.9 million from RMB22.5 million in the six months ended 30 June 2018 to RMB16.6 million in the Relevant Period arising from the decrease in profit before tax; and (ii) a decrease in deferred tax expense by RMB4.4 million from RMB9.5 million in the six months ended 30 June 2018 to RMB5.1 million in the Relevant Period.

Profit for the period

Profit for the period decreased by RMB27.6 million, or approximately 47.4%, from RMB58.2 million in the six months ended 30 June 2018 to RMB30.6 million in the Relevant Period. The net profit margin was 7.5% in the Relevant Period as compared with the net profit margin of 13.1% in the six months ended 30 June 2018. The decrease in net profit margin was largely due to the percentage of other income and gains over total revenue decreased from 7.9% in the six months ended 30 June 2018 to 4.2% in the Relevant Period and the percentage of administrative expenses over total revenue increased from 6.1% in the six months ended 30 June 2018 to 11.3% in the Relevant Period.

Profit attributable to owners of the parent

As a result of the foregoing, profit attributable to owners of the parent decreased by RMB26.5 million, or approximately 46.3%, from RMB57.2 million in the six months ended 30 June 2018 to RMB30.7 million in the Relevant Period.

Working Capital Management

	30 June 2019	31 December 2018
Inventory turnover days	**454**	330
Trade receivables turnover days	**46**	47
Trade payables turnover days	**64**	49

The increase in inventory turnover days by 124 days was mainly due to the increase in inventory turnover days of finished goods within one year by 82 days resulting from the increase in procurement of products.

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

Liquidity, financial position and cash flows

As at 30 June 2019, we had net current assets of approximately RMB1,007.8 million, as compared to RMB990.4 million as at 31 December 2018. The current ratio of our Group was 4.3 times as at 30 June 2019, as compared to that of 3.9 times as at 31 December 2018.

There was no undrawn banking facility as at 30 June 2019.

As at 30 June 2019, we had an aggregate cash and cash equivalents, financial assets at fair value through profit or loss and structured bank deposits of approximately RMB705.1 million. The table below sets forth selected cash flow data from our interim condensed consolidated statement of cash flows:

	Six months ended 30 June	
	2019	2018
	RMB million	*RMB million*
Net cash flows from/(used in) operating activities	**(13.9)**	27.7
Net cash flows used in investing activities	**(27.3)**	(5.4)
Net cash flows used in financing activities	**(24.0)**	—
Net increase/(decrease) in cash and cash equivalents	**(65.2)**	22.3
Effect of foreign exchange rate changes, net	**(0.9)**	3.4
Cash and cash equivalents at the beginning of the period	**218.2**	127.4
Cash and cash equivalents at the end of the period	**152.1**	153.1

Operating activities

Net cash flows from operating activities decreased by RMB41.6 million, from a cash inflows of RMB27.7 million in the six months ended 30 June 2018 to a cash outflows of RMB13.9 million in the Relevant Period, which was primarily attributable to an increase in cash outflows from changes in working capital from RMB51.5 million in the six months ended 30 June 2018 to RMB92.3 million in the Relevant Period. The increase in cash outflows from changes in working capital was mainly due to the decrease in cash inflows from decrease in changes in inventories by RMB25.6 million and an increase in payment of CIT by RMB15.4 million in the Relevant Period.

Investing activities

Net cash flows used in investing activities of RMB27.3 million mainly represented an increase in investment in purchases for properties of RMB21.9 million in the Relevant Period.

Financing activities

Net cash flows used in financing activities mainly represented principal portion of lease payments of RMB23.8 million.

Pledge of group assets

As at 30 June 2019, no asset of our Group was pledged as a security for bank borrowings or any other financing facilities.

Capital commitments and contingent liabilities

As at 30 June 2019, the Group had capital commitments of approximately RMB40.8 million (31 December 2018: RMB47.7 million) and there were no significant contingent liabilities (31 December 2018: Nil).

Foreign exchange management

We conduct business primarily in Hong Kong and the 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.

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

The table below sets forth the utilisation of the net proceeds from the IPO and the unused amount as at 30 June 2019. 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 2019** *(HK$ million)*	**Unutilised amount as at 30 June 2019** *(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 30 June 2019, our sales network comprised a total of 569 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 and Hong Kong by brand as at 30 June 2019 and 31 December 2018:

	As at 30 June 2019			As at 31 December 2018		
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	**239**	**276**	**515**	242	276	518
SBPRC	**158**	**10**	**168**	170	10	180
London Fog	**46**	**—**	**46**	49	—	49
MCS	**36**	**4**	**40**	32	4	36
Zoo York	**41**	**—**	**41**	39	—	39
Barbour	**21**	**—**	**21**	19	—	19
LINCS	**9**	**—**	**9**	10	—	10
Marina Yachting	**17**	**—**	**17**	11	—	11
Others	**2**	**—**	**2**	4	—	4
Total	**569**	**290**	**859**	576	290	866

Self-operated retail points

As at 30 June 2019, we had a network of 545 self-operated concession counters (31 December 2018: 557 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 181 were outlet stores as at 30 June 2019 (31 December 2018: 180 outlet stores).

As at 30 June 2019, we had a network of 24 standalone stores (31 December 2018: 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, we remained committed to our strategy for developing self-owned brands. The number of retail points of self-owned brands increased by 9 from 135 as at 31 December 2018 to 144 as at 30 June 2019.

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 30 June 2019, we had a total of 290 retail points that were operated by third-party retailers, representing a decrease by 14.7% as compared to that of 340 as at 30 June 2018.

Online Channels

We primarily sell past season products through online channels which consisted of (i) 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 Relevant Period, we continued to participate 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. We also actively developed new online third-party retailers for online retailing of our products.

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 period included the following:

Marina Yachting

During the Relevant Period, Marina Yachting provided apparel for the final competition of the 25th China Model Star Contest (第二十五屆中國模特之星大賽) in Hunan Province. We also continued to sponsor apparel for the Children Choir of Shanghai Poly Grand Theater (上海保利大劇院童聲合唱團).

Barbour

From April to July 2019, Barbour collaborated with Jaguar to introduce and present the British lifestyle and Barbour products to customers of Jaguar during its promotion events to launch the new Jaguar XEL model in Guangzhou, Shenzhen, Chengdu, Xi'an, Beijing, Tianjin, Suzhou and Shanghai.

In June 2019, Barbour collaborated with the renowned British contemporary artist Mr. Hayden Kays to launch a collaboration collection into the market. Mr. Kays was invited to celebrate the launch of the collaboration at Galeries Lafayette Shopping Mall in Shanghai at the end of June.

Brand Presentation Events

In March and April 2019, we held three brand presentation events in Shanghai, Changsha and Beijing to introduce and promote our brands including MCS, Henry Cotton's, Marina Yachting, Zoo York and Barbour to our customers and operators of shopping malls and department stores. Over 300 celebrities including Mr. Ethan Li (李東學先生), Mr. Rock Ji (紀煥博先生) and Ms. Lela Wang (王詩晴女士) were invited to the event in Beijing.

Fashion shows

In March 2019, we organised fashion shows for a number of our brands including MCS, Henry Cotton's, Marina Yachting and Barbour in Shanghai and a fashion show for Zoo York in Changsha during the 2019 Changsha Fashion Week.

Sponsorship of movies and TV shows

The movie "A Lifetime Treasure" (如珠如寶) and the TV drama "My Commissioned Lovers" (婚姻合夥人) which were sponsored by the Group were broadcasted during the Relevant Period.

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 decreased by RMB4.4 million, or approximately 10.7%, from RMB41.1 million in the six months ended 30 June 2018 to RMB36.7 million in the Relevant Period.

We have launched our social network-based commerce and marketing program in collaboration with Weimob (微盟) and started to sell and deliver our products on WeChat in the form of WeChat Mini Programs and WeChat Official Accounts during the Relevant Period.

As our Customer Relationship Management (CRM) system has been online and 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 been equipped in our logistic centers in Shanghai, Guangzhou and Dezhou during the Relevant Period 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.

Outsourcing

In order to enable our management team to continuously focus on our core missions, we outsourced certain of our sales staff in self-operated retail points and substantially all the production workers in our manufacturing plant in Dezhou to a third-party outsourcing service company during the Relevant Period. As a result of this arrangement, the out-sourced sales staff and production workers who were formerly our employees became employees of the outsourcing service Company. As of 30 June 2019, approximately 759 sales representatives, store managers and production workers, were employees of the outsourcing service company.

Employee information

As at 30 June 2019, the Group had approximately 1,505 full-time employees. Staff costs, including Directors' remuneration, totalled RMB76.5 million in the Relevant Period (six months ended 30 June 2018: RMB70.4 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 263,000,000 options under the Share Option Scheme that was granted to 101 participants (including 7 directors) remain outstanding as at 30 June 2019.

Corporate Social Responsibility

Being a responsible corporate citizen is a core fundamental of our culture. During the period, we continued to participate in 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 RMB0.2 million was made by the Group to the above program in the Relevant Period.

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

Seamless combining of the online and offline business 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 the second half of 2019:

- launch our second phase social network-based commerce and marketing program namely "Wechat Store" (微商城) in collaboration with Weimob (微盟);
- continue to 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 as well as online channels; and
- expand the retail network of our self-owned brands.

INTERIM DIVIDENDS

The Board does not recommend to declare any interim dividends for the Relevant Period (six months ended 30 June 2018: 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, 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 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. Pursuant to the terms of the rules and trust deed of the Share Award Scheme, a total of 1,248,000 shares of the Company at a total consideration of about HK$260,000 (equivalent to RMB228,000) 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 control 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 6 September 2019.

APPRECIATION

Dedicated and loyal employees are our most valuable asset. 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
Zhang Yongli
Chairman

Shanghai, 19 August 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.