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 2020

The board of directors (the "**Board**") of China Outfitters Holdings Limited (the "**Company**") hereby announces the consolidated results of the Company and its subsidiaries (collectively, the "**Group**") for the six months ended 30 June 2020, together with the comparative figures for the previous period, as follows:

FINANCIAL HIGHLIGHTS

	Six months ended 30 June		
	2020	2019	
	RMB million	*RMB million*	*Changes*
REVENUE	**297.6**	405.8	(26.7%)
Gross profit	**200.4**	318.1	(37.0%)
Gross profit margin	***67.3%***	*78.4%*	*(11.1 p.p.t.)*
Operating (loss)/profit	**(33.9)**	45.5	N/A
Operating profit margin	***(11.4%)***	*11.2%*	*N/A*
(Loss)/Profit attributable to owners of the parent	**(45.4)**	30.7	N/A
Basic (loss)/earnings per share — *RMB cent*	**(1.37)**	0.90	N/A

INTERIM CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS

For the six months ended 30 June 2020

	Notes	Six months ended 30 June 2020 RMB'000 (Unaudited)	2019 RMB'000 (Unaudited)
REVENUE	*5*	**297,588**	405,827
Cost of sales		**(97,209)**	(87,722)
Gross profit		**200,379**	318,105
Other income and gains	*6*	**5,242**	16,984
Selling and distribution expenses		**(192,739)**	(237,491)
Administrative expenses		**(27,299)**	(45,905)
Impairment losses on financial assets, net		**1,834**	(1,748)
Other expenses		**(21,323)**	(4,479)
Operating (loss)/profit		**(33,906)**	45,466
Finance income	*7*	**10,506**	10,167
Finance costs		**(1,252)**	(789)
Share of losses of:			
Joint ventures		**—**	(118)
An associate		**(818)**	(2,417)
(LOSS)/PROFIT BEFORE TAX	*8*	**(25,470)**	52,309
Income tax expense	*9*	**(18,137)**	(21,757)
(LOSS)/PROFIT FOR THE PERIOD		**(43,607)**	30,552
Attributable to:			
Owners of the parent	*11*	**(45,366)**	30,749
Non-controlling interests		**1,759**	(197)
		(43,607)	30,552
(LOSS)/EARNINGS PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE PARENT			
Basic and diluted			
— For (loss)/profit for the period	*11*	**RMB(1.37) cents**	RMB0.90 cents

INTERIM CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the six months ended 30 June 2020

	Six months ended 30 June	
	2020	2019
	RMB'000	*RMB'000*
	(Unaudited)	(Unaudited)
(LOSS)/PROFIT FOR THE PERIOD	**(43,607)**	30,552
OTHER COMPREHENSIVE INCOME		
Other comprehensive income that may be reclassified to profit or loss in subsequent periods:		
Exchange differences on translation of financial statements	**1,777**	97
Net other comprehensive income that may be reclassified to profit or loss in subsequent periods	**1,777**	97
Other comprehensive (loss)/income 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	**(1,348)**	6,214
Income tax effect	**(415)**	(1,643)
Net other comprehensive (loss)/income that will not be reclassified to profit or loss in subsequent periods	**(1,763)**	4,571
OTHER COMPREHENSIVE INCOME FOR THE PERIOD, NET OF TAX	**14**	4,668
TOTAL COMPREHENSIVE (LOSS)/INCOME FOR THE PERIOD	**(43,593)**	35,220
Attributable to:		
Owners of the parent	**(45,352)**	35,417
Non-controlling interests	**1,759**	(197)
	(43,593)	35,220

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 2020

	Notes	**30 June 2020** *RMB'000* **(Unaudited)**	31 December 2019 *RMB'000* (Audited)
NON-CURRENT ASSETS			
Property, plant and equipment		**264,613**	270,795
Investment properties		**45,025**	46,306
Right-of-use assets		**80,648**	86,734
Investment in an associate		**9,186**	9,818
Equity investments designated at fair value through other comprehensive income		**35,675**	37,503
Goodwill		**15,597**	34,467
Other intangible assets		**163,965**	163,381
Deferred tax assets		**177,350**	189,324
Total non-current assets		**792,059**	838,328
CURRENT ASSETS			
Inventories	*12*	**234,973**	285,576
Properties under development	*13*	**171,003**	169,123
Trade and bills receivables	*14*	**74,187**	104,628
Prepayments, deposits and other receivables		**114,853**	109,069
Structured bank deposits	*15*	**317,409**	275,221
Financial assets at fair value through profit or loss	*16*	**118,986**	30,000
Cash and cash equivalents		**276,425**	386,610
Total current assets		**1,307,836**	1,360,227
CURRENT LIABILITIES			
Trade payables	*17*	**18,341**	38,172
Other payables and accruals		**114,057**	131,119
Lease liabilities		**32,255**	40,098
Tax payable		**132,850**	146,528
Total current liabilities		**297,503**	355,917
NET CURRENT ASSETS		**1,010,333**	1,004,310
TOTAL ASSETS LESS CURRENT LIABILITIES		**1,802,392**	1,842,638

	Note	30 June 2020 RMB'000 (Unaudited)	31 December 2019 RMB'000 (Audited)
NON-CURRENT LIABILITIES			
Lease liabilities		**9,852**	7,409
Deferred tax liabilities		**21,063**	22,496
Total non-current liabilities		**30,915**	29,905
Net assets		**1,771,477**	1,812,733
EQUITY			
Equity attributable to owners of the parent			
Share capital	*18*	**280,661**	280,661
Shares held for share award scheme		**(26,234)**	(26,234)
Reserves		**1,515,721**	1,558,736
		1,770,148	1,813,163
Non-controlling interests		**1,329**	(430)
Total equity		**1,771,477**	1,812,733

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 2020 (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 2019.

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 2019, except for the adoption of the following relevant revised International Financial Reporting Standards ("**IFRSs**") for the first time for the current period's financial information.

Amendments to IFRS 3	*Definition of a Business*
Amendments to IFRS 9, IAS 39 and IFRS 7	*Interest Rate Benchmark Reform*
Amendment to IFRS 16	*Covid-19-Related Rent Concessions* (early adopted)
Amendments to IAS 1 and IAS 8	*Definition of Material*

The nature and impact of the revised IFRSs are described below:

(a) Amendments to IFRS 3 clarify and provide additional guidance on the definition of a business. The amendments clarify that for an integrated set of activities and assets to be considered a business, it must include, at a minimum, an input and a substantive process that together significantly contribute to the ability to create output. A business can exist without including all of the inputs and processes needed to create outputs. The amendments remove the assessment of whether market participants are capable of acquiring the business and continue to produce outputs. Instead, the focus is on whether acquired inputs and acquired substantive processes together significantly contribute to the ability to create outputs. The amendments have also narrowed the definition of outputs to focus on goods or services provided to customers, investment income or other income from ordinary activities. Furthermore, the amendments provide guidance to assess whether an acquired process is substantive and introduce an optional fair value concentration test to permit a simplified assessment of whether an acquired set of activities and assets is not a business. The Group has applied the amendments prospectively to transactions or other events that occurred on or after 1 January 2020. The amendments did not have any impact on the financial position and performance of the Group.

(b) Amendments to IFRS 9, IAS 39 and IFRS 7 address the effects of interbank offered rate reform on financial reporting. The amendments provide temporary reliefs which enable hedge accounting to continue during the period of uncertainty before the replacement of an existing interest rate benchmark. In addition, the amendments require companies to provide additional information to investors about their hedging relationships which are directly affected by these uncertainties. The amendments did not have any impact on the financial position and performance of the Group as the Group does not have any interest rate hedge relationships.

(c) Amendment to IFRS 16 provides a practical expedient for lessees to elect not to apply lease modification accounting for rent concessions arising as a direct consequence of the covid-19 pandemic. The practical expedient applies only to rent concessions occurring as a direct consequence of the covid-19 pandemic and only if (i) the change in lease payments results in revised consideration for the lease that is substantially the same as, or less than, the consideration for the lease immediately preceding the change; (ii) any reduction in lease payments affects only payments originally due on or before 30 June 2021; and (iii) there is no substantive change to other terms and conditions of the lease. The amendment is effective retrospectively for annual periods beginning on or after 1 June 2020 with earlier application permitted.

    During the period ended 30 June 2020, certain monthly lease payments for the leases of the Group's retail stores have been reduced or waived by the lessors as a result of the covid-19 pandemic and there are no other changes to the terms of the leases. The Group has early adopted the amendment on 1 January 2020 and elected not to apply lease modification accounting for all rent concessions granted by the lessors as a result of the covid-19 pandemic during the period ended 30 June 2020. Accordingly, a reduction in the lease payments arising from the rent concessions of RMB7,715,343 has been accounted for as a variable lease payment by derecognising part of the lease liabilities and crediting to profit or loss for the period ended 30 June 2020.

(d) Amendments to IAS 1 and IAS 8 provide a new definition of material. The new definition states that information is material if omitting, misstating or obscuring it could reasonably be expected to influence decisions that the primary users of general purpose financial statements make on the basis of those financial statements. The amendments clarify that materiality will depend on the nature or magnitude of information. The amendments did not have any 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 RMB296,733,000, accounting for 99.2% 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	
	2020	2019
	RMB'000	*RMB'000*
	(Unaudited)	(Unaudited)
Revenue from contracts with customers		
Sale of goods	**297,588**	405,827

Revenue from contracts with customers

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

	Six months ended 30 June	
	2020	2019
	RMB'000	*RMB'000*
	(Unaudited)	(Unaudited)
Type of goods		
Sale of apparel and accessories	**297,588**	405,827
Timing of revenue recognition		
Goods transferred at a point in time	**297,588**	405,827

(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.

6. OTHER INCOME AND GAINS

An analysis of other income and gains is as follows:

	For the Six months ended 30 June	
	2020	2019
	RMB'000	*RMB'000*
	(Unaudited)	(Unaudited)
Other income		
Government subsidies*	**2,909**	10,694
Rental income, net	**1,213**	1,491
Royalty income#	**679**	—
Arrangement fees	**53**	114
External order processing income	**19**	35
Sale of software	**—**	569
Sale of consumables, net	**—**	8
	4,873	12,911
Other gains		
Exchange gains, net	**—**	3,662
Others	**369**	411
	369	4,073
	5,242	16,984

* 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 brand licensing income received from third-party licensees for the use of the Group's trademarks on underwear products and household appliances in PRC.

7. FINANCE INCOME

	Six months ended 30 June	
	2020	2019
	RMB'000	*RMB'000*
	(Unaudited)	(Unaudited)
Interest income on bank deposits	**2,093**	5,930
Interest income on structured bank deposits and wealth management products	**8,271**	4,206
Others	**142**	31
	10,506	10,167

8. (LOSS)/PROFIT BEFORE TAX

	Six months ended 30 June	
	2020	2019
	RMB'000	*RMB'000*
	(Unaudited)	(Unaudited)
Cost of inventories sold	**92,312**	94,980
Depreciation:		
Property, plant and equipment	**8,199**	8,122
Investment properties	**1,281**	1,253
	9,480	9,375
Employee benefit expenses (including directors' remuneration):		
Wages and salaries	**18,224**	63,246
Equity-settled share option expenses	**2,337**	6,846
Pension scheme contributions	**787**	6,369
	21,348	76,461
Outsourced labour costs	**41,566**	13,398
Depreciation of right-of-use assets	**33,628**	23,922
Variable lease payments not included in the measurement of lease liabilities	**30,829**	86,713
Amortisation of other intangible assets*	**786**	786
Impairment of other intangible assets	**—**	4,479
Impairment of goodwill^	**18,870**	—
Impairment of trade receivables, net	**(1,834)**	1,748
Write-down/(Reversal of write-down) of inventories to net realisable value#	**4,897**	(14,033)
Exchange differences, net	**2,453**	(3,662)

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

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

The write-down or 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 Relevant 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 and the six-month periods ended 30 June 2019.

	Six months ended 30 June	
	2020	2019
	RMB'000	*RMB'000*
	(Unaudited)	(Unaudited)
Current — PRC		
Charge for the period	**7,182**	16,612
Deferred	**10,955**	5,145
Total tax charge for the period	**18,137**	21,757

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 2019, respectively.

11. (LOSS)/EARNINGS PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE PARENT

The calculation of basic (loss)/earnings per share is based on the loss for the Relevant Period attributable to owners of the parent of RMB45,366,000 (six months ended 30 June 2019: profit of RMB30,749,000) and the weighted average number of ordinary shares of 3,322,916,000 (six months ended 30 June 2019: 3,423,945,000) shares in issue during the Relevant Period.

No adjustment has been made to the basic loss 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 loss per share amounts presented.

The calculation of basic (loss)/earnings per share is based on:

	Six months ended 30 June	
	2020	2019
	RMB'000	*RMB'000*
	(Unaudited)	(Unaudited)
Earnings		
(Loss)/profit attributable to owners of the parent, used in the basic (loss)/earnings per share calculation	**(45,366)**	30,749

	Number of shares Six months ended 30 June	
	2020	2019
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	**(122,534,000)**	(21,505,000)
Adjusted weighted average number of ordinary shares in issue used in the basic (loss)/earnings per share calculation	**3,322,916,000**	3,423,945,000

12. INVENTORIES

	30 June	31 December
	2020	2019
	RMB'000	*RMB'000*
	(Unaudited)	(Audited)
Raw materials	**15,396**	15,434
Work in progress	**5,440**	7,164
Finished goods	**214,137**	262,978
	234,973	285,576

13. PROPERTIES UNDER DEVELOPMENT

	30 June	31 December
	2020	2019
	RMB'000	*RMB'000*
	(Unaudited)	(Audited)
Properties under development	**171,003**	169,123

The Group's properties under development are located in the PRC and situated on leasehold land with long term leases. Properties under development are classified under current assets as it is expected to be realised in the Group's normal operating.

14. TRADE AND BILLS RECEIVABLES

	30 June 2020 *RMB'000* **(Unaudited)**	31 December 2019 *RMB'000* (Audited)
Trade receivables	**81,860**	114,746
Impairment of trade receivables	**(8,284)**	(10,118)
Trade receivables, net	**73,576**	104,628
Bills receivable	**611**	—
	74,187	104,628

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 receivable, are as follows:

	30 June 2020 *RMB'000* **(Unaudited)**	31 December 2019 *RMB'000* (Audited)
Trade receivables		
Within 1 month	**55,876**	90,508
1 to 2 months	**7,179**	6,917
2 to 3 months	**3,098**	2,230
Over 3 months	**7,423**	4,973
	73,576	104,628
Bills receivable	**611**	—
	74,187	104,628

The bills receivable were due to mature within three months.

15. STRUCTURED BANK DEPOSITS

	30 June 2020 *RMB'000* **(Unaudited)**	31 December 2019 *RMB'000* (Audited)
Structured bank deposits, in licensed banks in Mainland China, at amortised cost	**317,409**	275,221

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 2020 *RMB'000* **(Unaudited)**	31 December 2019 *RMB'000* (Audited)
Wealth management products, at fair value	**118,986**	30,000

The above financial assets at fair value at 30 June 2020 were wealth management products issued by securities companies in the PRC and Hong Kong. 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.

17. TRADE PAYABLES

An ageing analysis of the trade payables as at 30 June 2020 and 31 December 2019, based on the invoice date is as follows:

	30 June 2020 *RMB'000* **(Unaudited)**	31 December 2019 *RMB'000* (Audited)
Trade payables		
Within 30 days	**7,183**	32,629
31 to 90 days	**5,007**	376
91 to 180 days	**553**	281
Over 181 days	**5,598**	4,886
	18,341	38,172

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

18. SHARE CAPITAL

Shares	**30 June 2020**	31 December 2019
	HK$'000	*HK$'000*
	(Unaudited)	(Audited)
Issued and fully paid:		
3,445,450,000 (31 December 2019: 3,445,450,000) ordinary shares	**344,545**	344,545
Equivalent to RMB'000	**280,661**	280,661

MANAGEMENT DISCUSSION AND ANALYSIS MARKET

OVERVIEW

The Relevant Period have been some of the most difficult and challenging in living memory. The widespread disruptions in social and economic activities arising from the rapid and continued spread of the novel coronavirus ("**COVID-19**") resulted in a decrease in China's Gross Domestic Product ("**GDP**") by 1.6%. The total retail sales of consumer products also decreased by 11.4% in the Relevant Period. Moreover, the retail sales achieved by the top 100 key and large-scale retailers also decreased by 27.0% in the Relevant Period.

In this extremely difficult times, the Group reported a decrease in revenue by 108.2 million from RMB405.8 million in the six months ended 30 June 2019 to RMB297.6 million in the Relevant Period and a loss attributable to owners of the parent of RMB45.4 million in the Relevant Period, as compared to a profit attributable to owners of the parent of RMB30.7 million in the corresponding period in 2019.

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 RMB297.6 million in the Relevant Period, representing a decrease by RMB108.2 million, or approximately 26.7%, as compared to RMB405.8 million in the six months ended 30 June 2019.

By sales channels

Revenue from sales of products through self-operated retail points decreased by RMB100.5 million, or approximately 31.8%, from RMB316.5 million in the six months ended 30 June 2019 to RMB216.0 million in the Relevant Period and accounted for approximately 72.6% (six months ended 30 June 2019: 78.0%) of the total revenue. Such decrease was mainly attributable to disruptions to the operations of department stores and shopping malls caused by the outbreak of COVID-19 since early 2020, which led to a significant decrease in the number of customers in the Group's stores, and thus resulting in a significant decrease in retail sales from our self-operated retail points. In terms of the retail channels, the revenue from outlet stores also decreased by RMB29.9 million, or approximately 27.7%, from RMB108.1 million in the six months ended 30 June 2019 to RMB78.2 million in the Relevant Period.

Revenue from sales of products to third-party retailers decreased by RMB13.1 million, or approximately 21.1%, from RMB62.0 million in the six months ended 30 June 2019 to RMB48.9 million in the Relevant Period and accounted for approximately 16.4% (six months ended 30 June 2019: 15.3%) of the total revenue.

Revenue from sales of products through online channels increased by RMB5.4 million, or approximately 19.8%, from RMB27.3 million in the six months ended 30 June 2019 to RMB32.7 million in the Relevant Period and accounted for approximately 11.0% (six months ended 30 June 2019: 6.7%) of the total revenue. The increase in revenue was primarily attributable to a mixed effect of: (i) the Group reported revenue of RMB5.9 million derived from its WeChat stores in the Relevant Period (six months ended 30 June 2019: Nil); (ii) an increase in sales of products to online third-party retailers by RMB0.8 million, or approximately 7.1%, from RMB11.3 million in the six months ended 30 June 2019 to RMB12.1 million in the Relevant Period; (iii) an increase in sales of product through our e-shops on Tmall.com and JD.com by RMB2.0 million, or approximately 27.4%, from RMB7.3 million in the six months ended 30 June 2019 to RMB9.3 million in the Relevant Period; and partially offset by (iv) a decrease in sales from online discount platform such as VIP.com by RMB3.3 million, or approximately 37.9%, from RMB8.7 million in the six months ended 30 June 2019 to RMB5.4 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			
	2020		2019	
	Revenue RMB million	***% of total revenue***	*Revenue RMB million*	*% of total revenue*
Retail sales from self-operated retailers	**216.0**	**72.6%**	316.5	78.0%
Sales to third-party retailers	**48.9**	**16.4%**	62.0	15.3%
Sales through online channels	**32.7**	**11.0%**	27.3	6.7%
Total	**297.6**	**100.0%**	405.8	100.0%

By Brand

Revenue contributed from self-owned brands decreased by RMB21.5 million, or approximately 45.8%, from RMB46.9 million in the six months ended 30 June 2019 to RMB25.4 million in the Relevant Period. Percentage of revenue from self-owned brands over total revenue also decreased from 11.6% in the six months ended 30 June 2019 to 8.5% in the Relevant Period.

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

	Six months ended 30 June			
	2020		2019	
	Revenue RMB million	***% of total revenue***	*Revenue RMB million*	*% of total revenue*
Licensed brands	**272.2**	**91.5%**	358.9	88.4%
Self-owned brands	**25.4**	**8.5%**	46.9	11.6%
Total	**297.6**	**100.0%**	405.8	100.0%

Cost of sales

Our cost of sales increased by RMB9.5 million, or approximately 10.8%, from RMB87.7 million in the six months ended 30 June 2019 to RMB97.2 million in the Relevant Period. The increase in cost of sales was primarily due to an increase in inventory provisions by RMB18.9 million as a result of the decrease in sales of aged inventories as affected by the pandemic.

Gross profit and gross profit margin

Our gross profit decreased by RMB117.7 million, or approximately 37.0%, from RMB318.1 million in the six months ended 30 June 2019 to RMB200.4 million in the Relevant Period as a result of the decrease in revenue and increase in cost of sales. Our overall gross profit margin decreased by 11.1 percentage points from 78.4% in the six months ended 30 June 2019 to 67.3% in the Relevant Period. Save for the inventory provisions, our overall gross profit margin would have been 69.0% in the Relevant Period, as compared with the gross profit margin at 74.9% in the six months ended 30 June 2019. The decrease in gross profit margin was mainly due to the decrease in selling prices of our products.

Other income and gains

Our other income and gains decreased by RMB11.8 million, or approximately 69.4%, from RMB17.0 million in the six months ended 30 June 2019 to RMB5.2 million in the Relevant Period, which was primarily due to (i) a decrease in government subsidies by RMB7.8 million from RMB10.7 million in the six months ended 30 June 2019 to RMB2.9 million in the Relevant Period; and (ii) a decrease in exchange gain by RMB3.7 million in the Relevant Period.

Selling and distribution expenses

Our selling and distribution expenses decreased by RMB44.8 million, or approximately 18.9%, from RMB237.5 million in the six months ended 30 June 2019 to RMB192.7 million in the Relevant Period.

Rents and concession fees for occupying concession counters within department stores and department store charges decreased by RMB21.8 million, or approximately 19.9%, from RMB109.6 million in the six months ended 30 June 2019 to RMB87.8 million in the Relevant Period, which was largely due to the decrease in revenue from self-operated retail points.

The labour and costs related to sales and marketing staff and outsourcing costs related to sales and marketing activities decreased from RMB54.5 million in the six months ended 30 June 2019 to RMB50.4 million in the Relevant Period. Such decrease was primarily attributable to the decrease in sales bonus of the sales and marketing staff.

We incurred advertising and promotion expenses of RMB5.2 million (six months ended 30 June 2019: RMB9.9 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 and mainstream websites such as Sina.com, Sohu.com etc.

Consumables and decoration fees for self-operated retail points decreased from RMB12.0 million in the six months ended 30 June 2019 to RMB10.1 million in the Relevant Period which was primarily attributable to decrease in store opening in the Relevant Period as affected by the pandemic.

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 periods indicated.

Administrative expenses

The administrative expenses decreased by RMB18.6 million, or approximately 40.5%, from RMB45.9 million in the six months ended 30 June 2019 to RMB27.3 million in the Relevant Period. The decrease in administrative expenses was mainly due to (i) an decrease in labour cost related to managerial staff by RMB8.8 million; and (ii) a decrease of amortisation of share option expenses by RMB4.5 million.

Other expenses

Other expenses mainly represented (i) an impairment on goodwill of RMB18.9 million (six months ended 30 June 2019: Nil); and (ii) an exchange loss of RMB2.5 million (six months ended 30 June 2019: Nil) due to the depreciation of HK$ against RMB in the Relevant Period.

Finance income

Our finance income was RMB10.5 million in the Relevant Period, which was consistent with that of RMB10.2 million in the six months ended 30 June 2019.

(Loss)/Profit before tax

As a result of the foregoing factors, the Group reported a loss before tax of RMB25.5 million in the Relevant Period, as compared with a profit before tax of RMB52.3 million in the six months ended 30 June 2019.

Income tax expense

Income tax expense decreased by RMB3.7 million, or approximately 17.0%, from RMB21.8 million in the six months ended 30 June 2019 to RMB18.1 million in the Relevant Period, which was primarily due to a mixed effect of (i) a decrease in current income tax by RMB9.4 million from RMB16.6 million in the six months ended 30 June 2019 to RMB7.2 million in the Relevant Period; and partially offset by (ii) an increase in deferred tax expense by RMB5.8 million from RMB5.1 million in the six months ended 30 June 2019 to RMB10.9 million in the Relevant Period.

(Loss)/Profit for the period

The Group reported a loss for the period of RMB43.6 million in the Relevant Period, as compared with a profit for the period of RMB30.6 million in the six months ended 30 June 2019.

(Loss)/Profit attributable to owners of the parent

As a result of the foregoing, the Group reported a loss attributable to owners of the parent of RMB45.4 million in the Relevant Period, as compared with a profit attributable to owners of the parent of RMB30.7 million in the six months ended 30 June 2019.

Working Capital Management

	30 June 2020	31 December 2019
Inventory turnover days	**482**	511
Trade receivables turnover days	**54**	49
Trade payables turnover days	**52**	72

The decrease in inventory turnover by 29 days was mainly due to the decrease in inventory turnover days for inventories aged within one year resulting from the decrease in procurement of products in the Relevant Period.

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

Liquidity, financial position and cash flows

As at 30 June 2020, we had net current assets of approximately RMB1,010.3 million, as compared to RMB1,004.3 million as at 31 December 2019. The current ratio of our Group was 4.4 times as at 30 June 2020, as compared to that of 3.8 times as at 31 December 2019.

There was no undrawn banking facility as at 30 June 2020.

As at 30 June 2020, we had an aggregate cash and cash equivalents, financial assets at fair value through profit or loss and structured bank deposits of approximately RMB712.8 million. The table below sets forth selected cash flow data from our interim condensed consolidated statement of cash flows:

	Six months ended 30 June	
	2020	2019
	RMB million	*RMB million*
Net cash flows from/(used in) operating activities	**67.1**	(13.9)
Net cash flows used in investing activities	**(21.3)**	(27.3)
Net cash flows used in financing activities	**(34.2)**	(24.0)
Net increase/(decrease) in cash and cash equivalents	**11.6**	(65.2)
Effect of foreign exchange rate changes, net	**0.8**	(0.9)
Cash and cash equivalents at the beginning of the period	**95.9**	218.2
Cash and cash equivalents at the end of the period	**108.3**	152.1

Operating activities

Net cash flows from operating activities increased by RMB81.0 million, from a cash outflows of RMB13.9 million in the six months ended 30 June 2019 to a cash inflows of RMB67.1 million in the Relevant Period, which was primarily attributable to (i) an increase in cash inflows from changes in inventories by RMB28.6 million due to decrease in procurement in products; and (ii) a decrease in payment of CIT by RMB33.8 million in the Relevant Period.

Investing activities

Net cash flows used in investing activities of RMB21.3 million mainly represented the payment of the remaining 70% of cash consideration of RMB18.9 million for the acquisition of 100% interest in Excel Win International Investment Limited for the "Henry Cotton's" and "Marina Yachting" brands.

Financing activities

Net cash flows used in financing activities mainly represented principal portion of lease payments of RMB34.2 million.

Pledge of group assets

As at 30 June 2020, 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 2020, the Group had capital commitments of approximately RMB35.1 million (31 December 2019: RMB41.8 million) and there were no significant contingent liabilities (31 December 2019: 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. As at 30 June 2020, the Group has not entered into any hedging transactions in an effort to reduce the Group's exposure to foreign currency exchange risks. While the Group may decide to enter into hedging tractions in the future, the availability and effectiveness of these hedges may be limited.

Use of proceeds from the IPO

The shares of the Company were listed on 9 December 2011 on the Stock Exchange. The total net proceeds from the IPO amounted to approximately HK$803.9 million (equivalent to approximately RMB654.8 million), including the net proceeds from the partial exercise of the over-allotment option on 30 December 2011.

In the Relevant Period, an aggregate of HK$37.2 million (equivalent to RMB33.7 million) was used for the acquisition of the remaining 50% equity interests in Henry Cotton's and Marina Yachting business and payment of royalties to licensors for the licensed brands.

The table below sets forth the utilisation of the net proceeds from the IPO and there was no unused proceeds as at 30 June 2020:

Use of fund raised

	Percentage to total amount	Net proceeds *(HK$ million)*	Utilised amount as at 30 June 2020 *(HK$ million)*	Unutilised amount as at 30 June 2020 *(HK$ million)*
Licensing or acquisition of additional recognised international brands	47%	380.7	380.7	—
Expansion and enhancement of existing logistical system	24%	193.1	193.1	—
Settlement of shareholder's loan	19%	152.8	152.8	—
General working capital	10%	77.3	77.3	—
	100%	803.9	803.9	—

OPERATION REVIEW

Retail and distribution network

As at 30 June 2020, our sales network comprised a total of 515 self-operated retail points, consisting of concession counters, consignment stores and standalone stores, and 286 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 Taiwan by brand as at 30 June 2020 and 31 December 2019:

	As at 30 June 2020			As at 31 December 2019		
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	**230**	**263**	**493**	238	276	514
SBPRC	**136**	**12**	**148**	144	11	155
London Fog	**45**	**—**	**45**	42	—	42
MCS	**32**	**10**	**42**	36	9	45
Zoo York	**29**	**—**	**29**	34	—	34
Barbour	**14**	**—**	**14**	17	—	17
Marina Yachting	**25**	**1**	**26**	28	2	30
Others	**4**	**—**	**4**	4	—	4
Total	**515**	**286**	**801**	543	298	841

Self-operated retail points

As at 30 June 2020, we had a network of 495 self-operated concession counters (31 December 2019: 518 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 155 were outlet stores as at 30 June 2020 (31 December 2019: 158 outlet stores).

As at 30 June 2020, we had a network of 20 standalone stores (31 December 2019: 25 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.

Retail points operated by third party retailers

As at 30 June 2020, we had a total of 286 retail points that were operated by third-party retailers, which remained consistent as compared to that of 298 retail points as at 31 December 2019.

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; (iii) our self-operated e-shops on mainstream online platforms such as Tmall.com, JD.com etc.; and (iv) our WeChat stores.

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 and increased sales from our self-operated e-shops on online platforms such as Tmall.com, JD.com etc. during the period. The Group also derived revenue of RMB5.9 million from its self-developed WeChat stores in the Relevant Period.

Branding

The continuing implementation of a multi-brand strategy is critical to our sustainable expansion and growth. We believe that our multi-brand strategy will allow us capture more market segments, take advantage of a wider range of market opportunities and ultimately increase our overall market share in China's menswear market.

On 31 December 2020, the Group will terminate its 18-year-cooperation with FCA US LLC on the licensing of JEEP branded menswear products. Accordingly, the Board has decided to make major adjustments to the Group's future business strategy and shift its focus from operation of licensing brands to self-owned brands, such as "MCS", "Marina Yachting", "Henry Cotton's", "London Fog" and "Zoo York". The Group also plans to invest more resources to promote and develop of its self-owned brands.

In the Relevant Period, the Group sponsored apparel products of "MCS", "Marina Yachting" and "Zoo York" for the movie "One Day" (「相愛一天」).

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 RMB3.0 million, or approximately 8.2%, from RMB36.7 million in the six months ended 30 June 2019 to RMB33.7 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. Total revenue derived from the WeChat stores was RMB5.9 million in the Relevant Period.

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.

The impact of COVID-19 on the operation of the Group

The outbreak of COVID-19 imposed an adverse impact on the business operations of the Group. More than 70% of the retail points of the Group have been closed since late January and resumed operation in March due to the nationwide lockdown. Moreover, disruptions to the operations of department stores and shopping malls caused by the outbreak of COVID-19 led to a significant decrease in customer flows in the retail points of the Group. Therefore, there was minimal sales generated in February and March and market sentiment remained weak throughout the first half of 2020.

In view of the difficult and challenging situation, the Group accelerated collection of account receivables from department stores to preserve cash. The Group also controlled expenditures to reduce costs, such as applying for deductions on concession fees from department stores and applying for royalties reduction from licensors etc. Moreover, the Group encouraged all employees to use the WeChat stores to sell products online.

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. As at 30 June 2020, approximately 1,662 sales representatives, store managers and production workers, were employees of the outsourcing service company.

Employee information

As at 30 June 2020, the Group had approximately 628 full-time employees. Staff costs, including Directors' remuneration, totalled RMB21.3 million in the Relevant Period (six months ended 30 June 2019: RMB76.5 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 252,600,000 options under the Share Option Scheme that was granted to 97 participants (including 7 directors) remain outstanding as at 30 June 2020.

Corporate social responsibility

Being a responsible corporate citizen, we continued to look 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

We will focus on the following initiatives in the second half of 2020:

- stock clearance will be the first priority of the Group in the second half of 2020 given the expiration of Jeep Licensing Agreement at the end of 2020;
- to transfer the retail points now operating Jeep brand to our self-owned brands will be another major objective in the second half of 2020;
- to encourage our sales staff and third-party retailers to use our O2O system as well as to sell products through our WeChat stores; and
- to leverage of our customer loyalty program to increase interactions with customers and encourage repeat purchases.

INTERIM DIVIDENDS

The Board does not recommend to declare any interim dividends for the Relevant Period (six months ended 30 June 2019: 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.

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 14 September 2020.

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, 24 August 2020

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.