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中國服飾控股有限公司
CHINA OUTFITTERS HOLDINGS LIMITED
(Incorporated in the Cayman Islands with limited liability)

(Stock Code: 1146)

ANNOUNCEMENT OF ANNUAL RESULTS FOR THE YEAR ENDED 31 DECEMBER 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 year ended 31 December 2020, together with the comparative figures for the previous year, as follows:

FINANCIAL HIGHLIGHTS

	Year ended 31 December		
	2020	2019	
	RMB million	*RMB million*	*Changes*
REVENUE	**727.8**	818.7	(11.1%)
Gross profit	**477.1**	638.0	(25.2%)
Gross profit margin	***65.6%***	*77.9%*	*(12.3 p.p.t.)*
Operating (loss)/profit	**(76.3)**	43.3	N/A
Operating (loss)/profit margin	***(10.5%)***	*5.3%*	*N/A*
(Loss)/profit attributable to owners of the parent	**(122.2)**	19.9	N/A
Basic (loss)/earnings per share — *RMB cent*	**(3.68)**	0.58	N/A

CONSOLIDATED STATEMENT OF PROFIT OR LOSS

For the year ended 31 December

	Notes	**2020**	2019
		RMB'000	*RMB'000*
REVENUE	*5*	**727,755**	818,747
Cost of sales		**(250,689)**	(180,751)
Gross profit		**477,066**	637,996
Other income and gains	*5*	**21,437**	30,168
Selling and distribution expenses		**(409,338)**	(485,534)
Administrative expenses		**(59,562)**	(82,511)
Impairment losses on financial assets, net		**(2,673)**	(1,686)
Other expenses		**(103,187)**	(55,105)
Operating (loss)/profit		**(76,257)**	43,328
Finance income	*6*	**15,894**	18,523
Finance costs	*7*	**(3,222)**	(3,404)
Share of losses of:			
Joint ventures		**—**	(160)
An associate		**(1,613)**	(4,484)
(LOSS)/PROFIT BEFORE TAX	*8*	**(65,198)**	53,803
Income tax expense	*9*	**(54,456)**	(34,098)
(LOSS)/PROFIT FOR THE YEAR		**(119,654)**	19,705
Attributable to:			
Owners of the parent		**(122,154)**	19,930
Non-controlling interests		**2,500**	(225)
		(119,654)	19,705
(LOSS)/EARNINGS PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE PARENT			
Basic and diluted			
— For (loss)/profit for the year	*11*	**RMB(3.68) cents**	RMB0.58 cents

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

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the year ended 31 December

	2020	2019
	RMB'000	*RMB'000*
(LOSS)/PROFIT FOR THE YEAR	**(119,654)**	19,705
OTHER COMPREHENSIVE (LOSS)/INCOME		
Other comprehensive (loss)/income that may be reclassified to profit or loss in subsequent periods:		
Exchange differences on translation of financial statements	**(39,231)**	9,261
Net other comprehensive (loss)/income that may be reclassified to profit or loss in subsequent periods	**(39,231)**	9,261
Other comprehensive 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	**5,839**	10,797
Income tax effect	**(1,459)**	(2,795)
Net other comprehensive income that will not be reclassified to profit or loss in subsequent periods	**4,380**	8,002
OTHER COMPREHENSIVE (LOSS)/INCOME FOR THE YEAR, NET OF TAX	**(34,851)**	17,263
TOTAL COMPREHENSIVE (LOSS)/INCOME FOR THE YEAR	**(154,505)**	36,968
Attributable to:		
Owners of the parent	**(157,005)**	37,193
Non-controlling interests	**2,500**	(225)
	(154,505)	36,968

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 31 December

	Notes	**2020** **RMB'000**	2019 RMB'000
NON-CURRENT ASSETS			
Property, plant and equipment		**266,435**	270,795
Investment properties		**47,746**	46,306
Right-of-use assets		**79,797**	86,734
Goodwill		**—**	34,467
Other intangible assets		**92,273**	163,381
Investment in an associate		**7,662**	9,818
Equity investments designated at fair value through other comprehensive income		**42,962**	37,503
Deferred tax assets		**142,115**	189,324
Total non-current assets		**678,990**	838,328
CURRENT ASSETS			
Inventories	*12*	**183,308**	285,576
Properties under development	*13*	**175,503**	169,123
Trade and bills receivables	*14*	**130,560**	104,628
Prepayments and other receivables		**113,982**	109,069
Financial assets at fair value through profit or loss	*15*	**213,456**	30,000
Structured bank deposits	*15*	**217,519**	275,221
Cash and cash equivalents	*16*	**271,293**	386,610
Total current assets		**1,305,621**	1,360,227
CURRENT LIABILITIES			
Trade payables	*17*	**24,210**	38,172
Other payables and accruals		**115,491**	131,119
Lease liabilities		**32,776**	40,098
Tax payable		**122,919**	146,528
Total current liabilities		**295,396**	355,917
NET CURRENT ASSETS		**1,010,225**	1,004,310
TOTAL ASSETS LESS CURRENT LIABILITIES		**1,689,215**	1,842,638

	Notes	**2020** *RMB'000*	2019 *RMB'000*
NON-CURRENT LIABILITIES			
Lease liabilities		**8,894**	7,409
Deferred tax liabilities		**22,560**	22,496
Total non-current liabilities		**31,454**	29,905
Net assets		**1,657,761**	1,812,733
EQUITY			
Equity attributable to owners of the parent			
Share capital	*18*	**280,661**	280,661
Shares held for share award scheme		**(30,946)**	(26,234)
Reserves		**1,405,976**	1,558,736
		1,655,691	1,813,163
Non-controlling interests		**2,070**	(430)
Total equity		**1,657,761**	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 One Nexus Way, Camana Bay, Grand Cayman KY1-9005, Cayman Islands. The address of its principal place of business is Room 1303, 13/F., New East Ocean Centre, 9 Science Museum Road, Tsim Sha Tsui East, Kowloon, Hong Kong. The shares of the Company were listed on the Main Board of The Stock Exchange of Hong Kong Limited (the "**Stock Exchange**") on 9 December 2011 (the "**Listing Date**").

The principal activity of the Company is investment holding. The Group is principally engaged in the business of design, manufacture, marketing and sale of apparel products and accessories in the People's Republic of China (the "**PRC**", or "**China**" which excludes, for the purpose of this announcement, the Hong Kong Special Administrative Region of the PRC or Hong Kong, the Macau Special Administrative Region of the PRC or Macau, and Taiwan), with a focus on menswear. There has been no significant change in the Group's principal activities during the year.

2. BASIS OF PREPARATION

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

Basis of consolidation

The consolidated financial statements include the financial statements of the Company and its subsidiaries for the year ended 31 December 2020. A subsidiary is an entity (including a structured entity), directly or indirectly, controlled by the Company. Control is achieved when the Group is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee (i.e., existing rights that give the Group the current ability to direct the relevant activities of the investee).

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

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

(b) rights arising from other contractual arrangements; and

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

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

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

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

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

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

3. CHANGES IN ACCOUNTING POLICIES AND DISCLOSURES

The Group has adopted the *Conceptual Framework for Financial Reporting 2018* and the following revised IFRSs for the first time for the current year's financial statements.

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 the impact of the *Conceptual Framework for Financial Reporting 2018* and the revised IFRSs are described below:

(a) *Conceptual Framework for Financial Reporting 2018* (the "**Conceptual Framework**") sets out a comprehensive set of concepts for financial reporting and standard setting, and provides guidance for preparers of financial statements in developing consistent accounting policies and assistance to all parties to understand and interpret the standards. The Conceptual Framework includes new chapters on measurement and reporting financial performance, new guidance on the derecognition of assets and liabilities, and updated definitions and recognition criteria for assets and liabilities. It also clarifies the roles of stewardship, prudence and measurement uncertainty in financial reporting. The Conceptual Framework is not a standard, and none of the concepts contained therein override the concepts or requirements in any standard. The Conceptual Framework did not have any significant impact on the financial position and performance of the Group.

(b) 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.

(c) Amendments to IFRS 9, IAS 39 and IFRS 7 address issues affecting financial reporting in the period before the replacement of an existing interest rate benchmark with an alternative risk-free rate ("**RFR**"). The amendments provide temporary reliefs which enable hedge accounting to continue during the period of uncertainty before the introduction of the alternative RFR. 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.

(d) 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 and shall be applied retrospectively.

During the year ended 31 December 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 year ended 31 December 2020. Accordingly, a reduction in the lease payments arising from the rent concessions of RMB7,814,000 has been accounted for as a variable lease payment by derecognising part of the lease liabilities and crediting to profit or loss for the year ended 31 December 2020.

(e) 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, or both. The amendments did not have any significant impact on the financial position and performance of the Group.

4. OPERATING SEGMENT INFORMATION

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

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

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

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

5. REVENUE, OTHER INCOME AND GAINS

An analysis of revenue is as follows:

	2020	2019
	RMB'000	*RMB'000*
Revenue from contracts with customers	**727,755**	818,747

Revenue from contracts with customers

(i) Disaggregated revenue information

For the year ended 31 December 2020

	Total
	RMB'000
Type of goods	
Sale of apparel and accessories	727,755
Timing of revenue recognition	
Goods transferred at a point in time	727,755

(ii) Performance obligations

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

Sale of apparel and accessories

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

An analysis of other income and gains is as follows:

	2020	2019
	RMB'000	*RMB'000*
Other income		
Government subsidies*	**8,128**	19,955
Gross rental income from investment property operating leases:		
Other lease payments, including fixed payments	**4,227**	3,662
Consulting service income	**2,600**	—
Sale of software	**1,330**	1,790
Dividend income from equity investments at fair value through other comprehensive income	**1,213**	2,020
Royalty income^	**1,099**	—
Sale of consumables, net	**253**	153
	18,850	27,580
Other gains		
Exchange gain, net	**2,001**	2,093
Others	**586**	495
	2,587	2,588
	21,437	30,168

* 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.

^ This represents 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.

6. FINANCE INCOME

	2020	2019
	RMB'000	*RMB'000*
Interest income on bank deposits	**4,907**	11,531
Interest income on structured bank deposits and wealth management products	**10,640**	6,531
Others	**347**	461
	15,894	18,523

7. FINANCE COSTS

	2020	2019
	RMB'000	*RMB'000*
Interest on lease liabilities	**3,222**	3,404

8. (LOSS)/PROFIT BEFORE TAX

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

	2020	2019
	RMB'000	*RMB'000*
Cost of inventories sold	**240,210**	217,077
Depreciation of property, plant and equipment	**20,916**	17,230
Depreciation of investment properties	**2,406**	2,418
Depreciation of right-of-use assets	**66,032**	61,743
Amortisation of other intangible assets	**1,589**	1,572
Auditor's remuneration	**2,460**	2,798
Employee benefit expenses (including Directors' remuneration):		
Wages and salaries	**50,857**	90,032
Equity-settled share option expense	**4,245**	13,638
Pension scheme contributions*	**924**	8,094
	56,026	111,764
Outsourced labour costs	**72,551**	49,695
Impairment of goodwill**	**34,467**	42,169
Impairment of other intangible assets***	**67,402**	4,521
Fair value losses, net:		
Financial assets at fair value through profit or loss — wealth management products	**1,319**	—
Dividend income from equity investments at fair value through other comprehensive income	**(1,213)**	(2,020)
Losses on remeasurement of the previously held interests in joint ventures	**—**	8,415
Impairment of trade receivables, net	**2,673**	1,686
Lease payments not included in the measurement of lease liabilities	**76,180**	111,523
Write-down/(Reversal of write-down) of inventories to net realisable value, net^	**10,479**	(36,326)

* As at 31 December 2020, the Group had no forfeited contributions available to reduce its contributions to the pension schemes in future years (2019: Nil).

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

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

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

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 year.

In accordance with the relevant PRC income tax rules and regulations, the Group's subsidiaries registered in the PRC are subject to corporate income tax at a statutory rate of 25% on their respective taxable income for the year ended 31 December 2020.

	2020	2019
	RMB'000	*RMB'000*
Current — PRC		
Charge for the year	**8,644**	32,814
Deferred	**45,812**	1,284
Total tax charge for the year	**54,456**	34,098

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

	2020		2019	
	RMB'000	*%*	*RMB'000*	*%*
(Loss)/Profit before tax	**(65,198)**		53,803	
Tax charge at the statutory tax rate	**(16,300)**	**25**	13,451	25
Entities subject to lower statutory income tax rates	**5,583**	**(9)**	1,511	3
Effect of withholding tax on distributable profits of certain PRC subsidiaries	**248**	**—**	4,382	8
Effect of withholding tax on service fees	**80**	**—**	1,306	2
Profits and losses attributable to an associate	**403**	**(1)**	1,121	2
Profits and losses attributable to joint ventures	**—**	**—**	40	—
Adjustments in respect of current tax of previous periods	**(2,174)**	**3**	(5,405)	(10)
Tax losses utilised from previous periods	**(7,314)**	**11**	(3,338)	(6)
Tax losses not recognised	**74,547**	**(114)**	21,499	40
Others	**(617)**	**1**	(469)	(1)
Tax charge at the Group's effective tax rate	**54,456**	**(84)**	34,098	63

10. DIVIDENDS

The Board does not recommend to declare any final dividends for the years ended 31 December 2020 and 31 December 2019.

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 year attributable to ordinary equity holders of the parent of RMB122,154,000 (2019: the profit of RMB19,930,000) and the weighted average number of ordinary shares of 3,316,441,507 (2019: 3,406,958,767) in issue during the year.

No adjustment has been made to the basic (loss)/earnings per share amounts presented for the years ended 31 December 2020 and 31 December 2019 in respect of a dilution as the impact of the share options outstanding under the Share Option Scheme had an anti-dilutive effect on the basic (loss)/earning per share amounts presented.

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

	2020	2019
	RMB'000	*RMB'000*
Earnings		
(Loss)/Profit attributable to owners of the parent, used in the basic (loss)/earnings per share calculation	**(122,154)**	19,930

	Number of shares	
	2020	2019
Shares		
Weighted average number of ordinary shares in issue	**3,445,450,000**	3,445,450,000
Less: Weighted average number of shares purchased for the Share Award Scheme	**(129,008,493)**	(38,491,233)
Adjusted weighted average number of ordinary shares in issue used in the basic (loss)/earnings per share calculation	**3,316,441,507**	3,406,958,767

12. INVENTORIES

	2020	2019
	RMB'000	*RMB'000*
Raw materials	**12,399**	15,434
Work in progress	**5,744**	7,164
Finished goods	**165,165**	262,978
	183,308	285,576

13. PROPERTIES UNDER DEVELOPMENT

	2020	2019
	RMB'000	*RMB'000*
Properties under development	**175,503**	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 they are expected to be realised in the Group's normal operating cycle.

14. TRADE AND BILLS RECEIVABLES

	2020	2019
	RMB'000	*RMB'000*
Trade receivables	**142,454**	114,746
Bills receivable	**897**	—
Impairment	**(12,791)**	(10,118)
	130,560	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 is generally one month, extending up to three months for major customers. Each customer has a maximum credit limit. The Group seeks to maintain strict control over its outstanding receivables and has a credit control department to minimise credit risk. Overdue balances are reviewed regularly by senior management. In view of the aforementioned and the fact that the Group's trade receivables relate to a large number of diversified customers, there is no significant concentration of credit risk. The Group does not hold any collateral or other credit enhancements over its trade and bills receivable balances. Trade and bills receivables are non-interest-bearing.

An ageing analysis of the trade and bills receivables as at the end of the reporting period, based on the invoice date and net of loss allowance are as follows:

	2020	2019
	RMB'000	*RMB'000*
Within 1 month	**98,553**	90,508
1 to 2 months	**19,893**	6,917
2 to 3 months	**5,370**	2,230
Over 3 months	**6,744**	4,973
	130,560	104,628

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

	2020	2019
	RMB'000	*RMB'000*
Financial assets at fair value through profit or loss		
Wealth management products, at fair value	**213,456**	30,000
Structured bank deposits		
Structured bank deposits, in licensed banks in the PRC, at amortised cost	**217,519**	275,221

The above financial assets at fair value at 31 December 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.

16. CASH AND CASH EQUIVALENTS

	2020	2019
	RMB'000	*RMB'000*
Cash and bank balances	**253,214**	90,464
Time deposits	**18,079**	296,146
Cash and cash equivalents	**271,293**	386,610

At the end of the reporting period, the cash and bank balances and time deposits of the Group denominated in Hong Kong Dollar ("**HK$**"), United States Dollar ("**US$**") and Euro ("**€**") amounted to RMB237,801,000, RMB14,288,000 and nil, respectively (2019: RMB285,856,000, RMB9,694,000 and RMB71,000, respectively). The RMB is not freely convertible into other currencies, however, under the PRC's Foreign Exchange Control Regulations and Administration of Settlement, Sale and Payment of Foreign Exchange Regulations, the Group is permitted to exchange RMB for other currencies through banks authorised to conduct foreign exchange business.

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

17. TRADE PAYABLES

An aging analysis of the trade payables as at the end of the reporting period, based on the invoice date, is as follows:

	2020	2019
	RMB'000	*RMB'000*
Trade payables		
Within 30 days	**19,318**	32,629
31 to 90 days	**2,012**	376
91 to 180 days	**222**	281
181 to 360 days	**2,658**	4,886
	24,210	38,172

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

18. SHARE CAPITAL

Shares

	2020	2019
	HK$'000	*HK$'000*
Issued and fully paid:		
3,445,450,000 (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

Year 2020 has been one of the most difficult and challenging years 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 total retail sales of consumer products by 11.9 percentage points from an increase of 8.0% in 2019 to a decrease of 3.9% in 2020. In particular, retail sales achieved by the top 100 key and large-scale retailers also decreased by 13.8% in 2020.

In this extremely difficult time, the Group reported a decrease in revenue by 11.1% from RMB818.7 million in 2019 to RMB727.8 million in 2020 and a loss attributable to owners of the parent of RMB122.2 million in 2020, as compared to a profit attributable to owners of the parent of RMB19.9 million 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 RMB727.8 million in 2020, representing a decrease by RMB90.9 million, or approximately 11.1%, as compared to RMB818.7 million in 2019. The decrease in revenue was mainly attributable to the decrease in retail sales from self-operated retailers and sales to third-party retailers.

By sales channel

Revenue from sales of products through self-operated retail points decreased by RMB71.7 million, or 11.6%, from RMB620.2 million in 2019 to RMB548.5 million in 2020 and accounted for approximately 75.4% (2019: 75.7%) of the total revenue. The decrease in revenue was primarily due to the decrease in same store sales by 19.9%. In terms of the retail channel, the revenue from outlet stores also decreased by RMB10.2 million, or approximately 4.7%, from RMB218.4 million in 2019 to RMB208.2 million in 2020.

Revenue from sales of products to third-party retailers decreased by RMB49.0 million, or 35.3%, from RMB138.9 million in 2019 to RMB89.9 million in 2020 and accounted for approximately 12.3% (2019: 17.0%) of the total revenue. The decrease in revenue was primarily due to the decrease in purchase from third-party retailers as the Jeep licensing agreement was terminated on 31 December 2020.

Revenue from sales of products through online channels increased by RMB29.8 million, or 50.0%, from RMB59.6 million in 2019 to RMB89.4 million in 2020 and accounted for approximately 12.3% (2019: 7.3%) of the total revenue. The increase in revenue was primarily attributable to a mixed effect of (i) the Group reported revenue of RMB20.4 million derived from its WeChat stores in 2020 (2019: Nil); (ii) an increase in sales of product through our e-shops on mainstream e-commerce platforms such as Tmall.com and JD.com by RMB20.6 million, or approximately 1.4 times, from RMB14.7 million in 2019 to RMB35.3 million in 2020; and partially offset by (iii) a slight decrease in sales of products to online third-party retailers by RMB0.9 million, or approximately 3.8%, from RMB23.6 million in 2019 to RMB22.7 million in 2020; and (iv) a decrease in sales from online discount platform such as VIP.com by RMB10.3 million, or approximately 48.4%, from RMB21.3 million in 2019 to RMB11.0 million in 2020.

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

	Year ended 31 December			
	2020		2019	
	Revenue RMB million	***% of total revenue***	*Revenue RMB million*	*% of total revenue*
Retail sales from self-operated retailers	**548.5**	**75.4%**	620.2	75.7%
Sales to third-party retailers	**89.9**	**12.3%**	138.9	17.0%
Sales through online channels	**89.4**	**12.3%**	59.6	7.3%
Total	**727.8**	**100.0%**	818.7	100.0%

By Brand

Revenue contributed from self-owned brands decreased by RMB21.1 million, or approximately 23.2%, from RMB90.9 million in 2019 to RMB69.8 million in 2020. Percentage of revenue from self-owned brands over total revenue also decreased from 11.1% in 2019 to 9.6% in 2020.

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

	Year ended 31 December			
	2020		2019	
	Revenue RMB million	***% of total revenue***	*Revenue RMB million*	*% of total revenue*
Licensed brands	**658.0**	**90.4%**	727.8	88.9%
Self-owned brands	**69.8**	**9.6%**	90.9	11.1%
Total	**727.8**	**100.0%**	818.7	100.0%

Cost of sales

Our cost of sales increased by RMB69.9 million, or approximately 38.7%, from RMB180.8 million in 2019 to RMB250.7 million in 2020. The increase in cost of sales was primarily due to an increase in cost of inventories sold resulting from the increase in sales volume as a result of stock clearance of Jeep branded products.

Gross profit and gross profit margin

Our gross profit decreased by RMB160.9 million, or approximately 25.2%, from RMB638.0 million in 2019 to RMB477.1 million in 2020. Our overall gross profit margin decreased by 12.3 percentage points from 77.9% in 2019 to 65.6% in 2020 which was mainly due to the decrease in selling prices of Jeep branded products for stock clearance.

Other income and gains

Our other income and gains decreased by RMB8.8 million, or approximately 29.1%, from RMB30.2 million in 2019 to RMB21.4 million in 2020, which was primarily due to a decrease in government subsidies by RMB11.8 million.

Selling and distribution expenses

Our selling and distribution expenses decreased by RMB76.2 million, or approximately 15.7%, from RMB485.5 million in 2019 to RMB409.3 million in 2020.

Rents and concession fees for occupying concession counters within department stores and department store charges decreased by RMB37.6 million, or approximately 16.4%, from RMB228.9 million in 2019 to RMB191.3 million in 2020, which was largely due to decrease in revenue from self-operated retail points.

The labour costs and outsourcing costs related to sales and marketing activities decreased from RMB113.2 million in 2019 to RMB96.8 million in 2020, which was primarily attributable to the decrease in sales bonus of the sales and marketing staff.

We incurred advertising and promotion expenses of RMB14.3 million (2019: RMB22.2 million) during the year for organizing promotion activities and spending on social media marketing to share our brand stories and product knowledge with our customers through WeChat, Weibo and mainstream websites such as Sina.com, Sohu.com etc.

Consumables and decoration fees for self-operated retail points decreased from RMB41.3 million in 2019 to RMB34.7 million in 2020 which was primarily attributable to the decrease in number of retail points opened during the year.

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

Administrative expenses

Our administrative expenses decreased by RMB22.9 million, or approximately 27.8%, from RMB82.5 million in 2019 to RMB59.6 million in 2020. The decrease in administrative expenses was mainly due to a decrease in labour cost related to managerial staff and amortisation of share option expenses by RMB20.6 million during the year.

Impairment losses on financial assets, net

Impairment losses on financial assets mainly represented credit losses arising from trade and bills receivables of RMB2.7 million (2019: RMB1.7 million).

Other expenses

Other expenses mainly included an impairment on goodwill of RMB34.5 million (2019: RMB42.2 million) and impairment on trademarks — Zoo York, London Fog, Henry Cotton's and Artful Dodger of RMB29.5 million, RMB13.2 million, RMB12.2 million and RMB10.9 million, respectively. (2019: impairment on trademarks of London Fog of RMB4.5 million). The increase in impairment on trademarks was mainly because the Group will focus on developing the business of MCS brand and Marina Yachting brand in recent years and less resources will be allocated to develop the business of other self-owned brands including Zoo York, London Fog, Henry Cotton's and Artful Dodger.

Finance income

Our finance income decreased to RMB15.9 million in 2020 as compared to that of RMB18.5 million in 2019, representing a decrease by 14.1%. The decrease in finance income was mainly due to the decrease in interest rate in short-term deposits as well as the decrease in return rate in wealth management products.

Share of losses of an associate

Share of losses of an associate represented share of losses of the associate — China Mingmen Investment Group Limited (中國名門投資集團有限公司) of RMB1.6 million (2019: RMB4.5 million).

(Loss)/Profit before tax

As a result of the foregoing factors, the Group reported a loss before tax of RMB65.2 million in 2020, as compared to a profit before tax of RMB53.8 million in 2019.

Income tax expense

Income tax expense increased by RMB20.4 million, or approximately 59.8%, from RMB34.1 million in 2019 to RMB54.5 million in 2020, which was primarily due to a mixed effect of (i) an increase in deferred tax expense from RMB1.3 million in 2019 to RMB45.8 million in 2020 arising from the increase in tax losses in certain PRC entities not recognised as deferred tax; and partially offset by (ii) a decrease in current income tax from RMB32.8 million in 2019 to RMB8.6 million in 2020 due to the decrease in profit before tax of certain PRC operating entities.

(Loss)/Profit for the year

The Group reported a loss for the year of RMB119.7 million in 2020, as compared with a profit for the year of RMB19.7 million in 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 RMB122.2 million in 2020, as compared with a profit attributable to owners of the parent of RMB19.9 million in 2019.

Working Capital Management

	31 December 2020	31 December 2019
Inventory turnover days	**341**	511
Trade receivables turnover days	**59**	49
Trade payables turnover days	**45**	72

The decrease in inventory turnover days by 170 days from 511 days in 2019 to 341 days in 2020 was mainly because all Jeep branded inventories were sold out as at 31 December 2020.

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

The decrease in trade payables turnover days by 27 days from 72 days in 2019 to 45 days in 2020 was mainly due to the decrease in procurement of new products.

Liquidity, financial position and cash flows

As at 31 December 2020, we had net current assets of approximately RMB1,010.2 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 31 December 2020, as compared to that of 3.8 times as at 31 December 2019.

There was no undrawn banking facility as at 31 December 2020.

As at 31 December 2020, we had an aggregate financial assets at fair value through profit or loss, structured bank deposits and cash and cash equivalents of approximately RMB702.3 million (31 December 2019: RMB691.8 million). The table below sets forth selected cash flow data from our consolidated statement of cash flows:

	Year ended 31 December	
	2020	2019
	RMB million	*RMB million*
Net cash flows from in operating activities	**127.3**	27.7
Net cash flows from/(used in) investing activities	**139.4**	(79.0)
Net cash flows used in financing activities	**(65.1)**	(79.2)
NET INCREASE/(DECREASE) IN CASH AND CASH EQUIVALENTS	**201.6**	(130.5)
Effect of foreign exchange rate changes, net	**(26.2)**	8.2
Cash and cash equivalents at beginning of year	**95.9**	218.2
CASH AND CASH EQUIVALENTS AT END OF YEAR	**271.3**	95.9

Operating activities

Net cash flows from operating activities increased by RMB99.6 million, or approximately 3.6 times, from RMB27.7 million in 2019 to RMB127.3 million in 2020 which was primarily attributable to a mixed effect of (i) a decrease in cash outflows from changes in inventories by RMB125.8 million and a decrease in payment of CIT by RMB28.1 million; and partially offset by (ii) a decrease in the operating cash inflows before changes in working capital by RMB31.8 million from RMB158.1 million in 2019 to RMB126.3 million in 2020.

Investing activities

Net cash flows from investing activities of RMB139.4 million mainly represented a decrease in investment in short-term deposits with original maturity of over three months of RMB290.7 million and partially offset by an increase in investment in structured bank deposits and wealth management products of RMB127.1 million.

Financing activities

Net cash flows from financing activities mainly represented payment of the principal portion of lease payments of RMB60.3 million.

Pledge of group assets

As at 31 December 2020, no asset of the Group was pledged as a security for bank borrowings or any other financing facilities.

Capital commitments and contingent liabilities

As at 31 December 2020, the Group had capital commitments of approximately RMB34.5 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 HK$ and RMB. To minimise foreign-exchange risks, the Group has a hedging policy in place.

Use of proceeds from the IPO

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

In 2020, 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 31 December 2020:

Use of fund raised

	Percentage to total amount	**Net proceeds** *(HK$ million)*	**Utilised amount as at 31 December 2020** *(HK$ million)*	**Unutilised amount as at 31 December 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 31 December 2020, our sales network comprised a total of 435 self-operated retail points, consisting of concession counters, consignment stores and standalone stores, and 30 retail points operated by our third-party retailers.

The following table sets forth the number of our self-operated retail points and retail points operated by our third-party retailers in the PRC by brand as at 31 December 2020 and 31 December 2019:

	As at 31 December 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	**—**	**—**	**—**	238	276	514
SBPRC	**155**	**10**	**165**	144	11	155
London Fog	**25**	**—**	**25**	42	—	42
MCS	**169**	**16**	**185**	36	9	45
Zoo York	**27**	**—**	**27**	34	—	34
Barbour	**13**	**2**	**15**	17	—	17
Marina Yachting	**45**	**2**	**47**	28	2	30
Others	**1**	**—**	**1**	4	—	4
Total	**435**	**30**	**465**	543	298	841

Self-operated retail points

As at 31 December 2020, we had a network of 420 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 137 were outlet stores as at 31 December 2020 (31 December 2019: 158 outlet stores).

As at 31 December 2020, we had a network of 15 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

With the termination of Jeep licensing agreement and the uncertain and weak market conditions, our third-party retailers have become more conservative in opening new stores. As a result, a majority of the Jeep retail points operated by the third-party retailers were closed in 2020, which led to a decrease in retail points operated by third-party retailers from 298 as at 31 December 2019 to 30 as at 31 December 2020.

Online Channels

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

During the year, 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. The JIT Program has significantly improved the efficiency of our order-fulfillment process and enhanced customer's shopping experience. We also increased sales from our self-operated e-shops on Tmall.com and JD.com, and increase sales from our self-developed WeChat stores during the year.

Branding

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

On 31 December 2020, the Group terminated 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 mainly including "MCS" and "Marina Yachting" in recent years. The Group also plans to invest more resources to promote and develop its self-owned brands.

The Group also terminated its agreement with J Barbour & Sons Limited (the "**JBS**") on the licensing of Barbour branded menswear on 31 December 2020, with an aim to continuously focusing on the business development of our self-owned brands. However, the Group will continue to be an authorised distributor and sell Barbour products purchased from JBS in China.

In 2020, the Group sponsored apparel products of "MCS", "Marina Yachting" and "Zoo York" for the movies "One Day" (「相愛一天」) and "I Remember" (「明天你是否依然愛我」).

Business Digitalization

We developed an O2O system that is tailored to our retail network and allows our customers to make purchases on demand even if the desired item is out of stock at a particular location, which in turn both enhances customers' shopping experience and drives our sales. Sales contributed by the self-developed O2O system increased by RMB3.7 million, or approximately 4.5%, from RMB83.0 million in 2019 to RMB86.7 million in 2020.

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 RMB20.4 million in 2020 (2019: Nil).

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 substantially all of our sales staff in self-operated retail points and the production workers in our manufacturing plant in Dezhou to a third-party outsourcing service company. As at 31 December 2020, approximately 1,500 (31 December 2019: 1,780) sales representatives, store managers and production workers, were employees of the outsourcing service company.

Employee information

As at 31 December 2020, the Group had approximately 530 full-time employees (31 December 2019: 747). Staff costs, including Directors' remuneration, totalled RMB56.0 million in 2020 (2019: RMB111.8 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 247,100,000 options under the Share Option Scheme that was granted to 93 participants (including 7 directors) remained outstanding as at 31 December 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

With the termination of the Jeep licensing agreement on 31 December 2020, certain of the Group's Jeep retail points were closed in 2020. As a result, number of our self-operated retail points decreased by 108, or approximately 19.9%, from 543 as at 31 December 2019 to 435 as at 31 December 2020. Number of retail points operated by third-party retailers decreased by 268, or approximately 89.9%, from 298 as at 31 December 2019 to 30 as at 31 December 2020. The reduced scale of retail network will inevitably impose an adverse impact on the Group's operation in future.

Notwithstanding the above challenging situation, the Board is of the view that the Group has achieved steady progress in its strategic development and will focus on the following objectives and initiatives in 2021:

- to increase the average store sales of MCS and SBPRC stores by leveraging the Group's digital tools including O2O system and WeChat Stores;
- to continue to roll-out the customer loyalty program to increase interactions with customers and increase repeat purchases;
- to develop new third-party retailers to open MCS and SBPRC stores;
- to explore new businesses opportunities such as brand licensing, group purchases, consignment sales of non-apparel products on our WeChat stores etc.

FINAL DIVIDENDS

The Board does not recommend to declare any final dividends in 2020 (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 ("**Model Code**") as set out in Appendix 10 to the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "**Listing Rules**"). All Directors have confirmed, following specific enquiry by the Company, that they have complied with the required standard set out in the Model Code and the Code of Conduct for the year ended 31 December 2020.

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, enhance corporate value, formulate its business strategies and policies and enhance transparency and accountability. The Board is of the view that throughout the year ended 31 December 2020, 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 ("**Chairman**") and chief executive officer ("**CEO**") positions of the Company are held by Mr. Zhang Yongli. The Board believes that vesting the roles of Chairman and CEO in the same person provides the Group with strong and consistent leadership and allows for efficient business planning and decisions under the current situation.

PURCHASE, REDEMPTION OR SALE OF SHARES OF THE COMPANY

During the year ended 31 December 2020, 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 40,000,000 shares of the Company at a total consideration of about HK$5,424,000 (equivalent to RMB4,712,000) were purchased on the Stock Exchange for the year ended 31 December 2020.

AUDIT COMMITTEE

The audit committee has discussed with the management regarding the risk management and internal control systems and financial reporting matters related to the preparation of the consolidated financial statements for the year ended 31 December 2020. It has also reviewed the said consolidated financial statements.

The figures in respect of the Group's consolidated statement of financial position, consolidated statement of profit or loss, the consolidated statement of comprehensive income, and the related notes thereto for the year ended 31 December 2020 as set out in the preliminary announcement have been agreed by the Company's auditors to the amounts set out in the Group's draft consolidated financial statements for the year. The work performed by the Company's auditors in this respect did not constitute an assurance engagement in accordance with Hong Kong Standards on Auditing, Hong Kong Standards on Review Engagements or Hong Kong Standards on Assurance Engagements issued by the Hong Kong Institute of Certified Public Accountants and consequently no assurance has been expressed by the Company's auditors on the preliminary announcement.

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

All the shareholders of the Company whose names appear on the register of members of the Company at the close of business on Wednesday, 12 May 2021 will be entitled to attend and vote at the Annual General Meeting of the Company to be held on Tuesday, 18 May 2021 at 2:00 p.m. (the "**AGM**"). In order to be eligible to attend and vote at the AGM, all transfers of shares, accompanied by the relevant share certificates, must be lodged with the Company's branch share registrar and transfer office in Hong Kong, Tricor Investor Services Limited, at Level 54, Hopewell Centre, 183 Queen's Road East, Hong Kong, for registration no later than 4:30 p.m. on Wednesday, 12 May 2021.

PUBLICATION OF THE ANNUAL RESULTS ANNOUNCEMENT AND ANNUAL REPORT

This result announcement is published on the website of the Company at *www.cohl.hk* and Hong Kong Exchanges and Clearing Limited at *www.hkexnews.hk*. The 2020 Annual Report and the Notice of AGM will be despatched to the shareholders of the Company and available on the same websites on or about 19 April 2021.

APPRECIATION

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

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

Shanghai, 22 March 2021

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.