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 2021

The board of directors (the "**Board**") of China Outfitters Holdings Limited (the "**Company**") hereby announce the consolidated results of the Company and its subsidiaries (collectively, the "**Group**") for the six months ended 30 June 2021, together with the comparative figures for the previous period, as follows:

FINANCIAL HIGHLIGHTS

	For the six months ended 30 June		
	2021	2020	
	RMB million	*RMB million*	*Changes*
REVENUE	**167.6**	297.6	(43.7%)
Gross profit	**117.7**	200.4	(41.3%)
Gross profit margin	***70.2%***	*67.3%*	*+2.9 p.p.t.*
Operating loss	**(53.7)**	(33.9)	+58.4%
Operating loss margin	***(32.0%)***	*(11.4%)*	*+20.6 p.p.t.*
Loss attributable to owners of the parent	**(48.6)**	(45.4)	+7.0%
Basic loss per share — *RMB cent*	**(1.48)**	(1.37)	+8.0%

INTERIM CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS
For the six months ended 30 June 2021

	Notes	For the six months ended 30 June 2021 RMB'000 (Unaudited)	2020 RMB'000 (Unaudited)
REVENUE	5	**167,561**	297,588
Cost of sales		**(49,900)**	(97,209)
Gross profit		**117,661**	200,379
Other income and gains	6	**8,623**	5,242
Selling and distribution expenses		**(157,189)**	(192,739)
Administrative expenses		**(26,037)**	(27,299)
Impairment losses on financial assets, net		**3,230**	1,834
Other expenses		**—**	(21,323)
Operating loss		**(53,712)**	(33,906)
Finance income	7	**6,340**	10,506
Finance costs		**(738)**	(1,252)
Share of loss of:			
An associate		**(600)**	(818)
LOSS BEFORE TAX	8	**(48,710)**	(25,470)
Income tax expense	9	**58**	(18,137)
LOSS FOR THE PERIOD		**(48,652)**	(43,607)
Attributable to:			
Owners of the parent		**(48,613)**	(45,366)
Non-controlling interests		**(39)**	1,759
		(48,652)	(43,607)
LOSS PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE PARENT			
Basic and diluted			
— For loss for the period	11	**RMB(1.48) cents**	RMB(1.37) cents

INTERIM CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the six months ended 30 June 2021

	For the six months ended 30 June	
	2021	2020
	RMB'000	*RMB'000*
	(Unaudited)	(Unaudited)
LOSS FOR THE PERIOD	**(48,652)**	(43,607)
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	**(5,430)**	1,777
Net other comprehensive (loss)/income that may be reclassified to profit or loss in subsequent periods	**(5,430)**	1,777
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	**(8,104)**	(1,348)
Income tax effect	**1,889**	(415)
Net other comprehensive loss that will not be reclassified to profit or loss in subsequent periods	**(6,215)**	(1,763)
OTHER COMPREHENSIVE (LOSS)/INCOME FOR THE PERIOD, NET OF TAX	**(11,645)**	14
TOTAL COMPREHENSIVE LOSS FOR THE PERIOD	**(60,297)**	(43,593)
Attributable to:		
Owners of the parent	**(60,258)**	(45,352)
Non-controlling interests	**(39)**	1,759
	(60,297)	(43,593)

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 2021

	Notes	**30 June 2021** *RMB'000* **(Unaudited)**	31 December 2020 *RMB'000* (Audited)
NON-CURRENT ASSETS			
Property, plant and equipment		**257,660**	266,435
Investment properties		**46,444**	47,746
Right-of-use assets		**62,398**	79,797
Investment in an associate		**6,979**	7,662
Equity investments designated at fair value through other comprehensive income		**34,858**	42,962
Other intangible assets		**91,299**	92,273
Deferred tax assets		**143,403**	142,115
Total non-current assets		**643,041**	678,990
CURRENT ASSETS			
Inventories	*12*	**186,240**	183,308
Properties under development	*13*	**183,447**	175,503
Trade and bills receivables	*14*	**41,426**	130,560
Prepayments, other receivables and other assets		**121,916**	113,982
Financial assets at fair value through profit or loss	*15*	**173,072**	213,456
Structured bank deposits	*16*	**185,827**	217,519
Time deposits with original maturity of over three months	*17*	**217,500**	—
Cash and cash equivalents	*17*	**118,675**	271,293
Total current assets		**1,228,103**	1,305,621
CURRENT LIABILITIES			
Trade payables	*18*	**20,345**	24,210
Other payables and accruals		**86,064**	115,491
Lease liabilities		**19,936**	32,776
Tax payable		**122,070**	122,919
Total current liabilities		**248,415**	295,396
NET CURRENT ASSETS		**979,688**	1,010,225
TOTAL ASSETS LESS CURRENT LIABILITIES		**1,622,729**	1,689,215

	Note	30 June 2021 RMB'000 (Unaudited)	31 December 2020 RMB'000 (Audited)
NON-CURRENT LIABILITIES			
Lease liabilities		**3,557**	8,894
Deferred tax liabilities		**20,582**	22,560
Total non-current liabilities		**24,139**	31,454
Net assets		**1,598,590**	1,657,761
EQUITY			
Equity attributable to owners of the parent			
Share capital	*19*	**280,661**	280,661
Shares held for share award scheme		**(30,946)**	(30,946)
Reserves		**1,346,844**	1,405,976
		1,596,559	1,655,691
Non-controlling interests		**2,031**	2,070
Total equity		**1,598,590**	1,657,761

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, 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 2021 (the "**Relevant Period**").

2. BASIS OF PREPARATION

The 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. The interim condensed consolidated financial information does not include all the information and disclosures required in the annual financial statements, and should be read in conjunction with the Group's annual consolidated financial statements for the year ended 31 December 2020.

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 2020, except for the adoption of the following revised International Financial Reporting Standards ("**IFRSs**") for the first time for the current period's financial information.

Amendments to IFRS 9, IAS 39, IFRS 7, IFRS 4 and IFRS 16	*Interest Rate Benchmark Reform*
Amendment to IFRS 16	*Covid-19-Related Rent Concessions beyond 30 June 2021* (early adopted)

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

(a) Amendments to IFRS 9, IAS 39, IFRS 7, IFRS 4 and IFRS 16 address issues not dealt with in the previous amendments which affect financial reporting when an existing interest rate benchmark is replaced with an alternative risk-free rate ("**RFR**"). The phase 2 amendments provide a practical expedient to allow the effective interest rate to be updated without adjusting the carrying amount of financial assets and liabilities when accounting for changes in the basis for determining the contractual cash flows of financial assets and liabilities, if the change is a direct consequence of the interest rate benchmark reform and the new basis for determining the contractual cash flows is economically equivalent to the previous basis immediately preceding the change. In addition, the amendments permit changes required by the interest rate benchmark reform to be made to hedge designations and hedge documentation without the hedging relationship being discontinued. Any gains or losses that could arise on transition are dealt with through the normal requirements of IFRS 9 to measure and recognise hedge ineffectiveness. The amendments also provide a temporary relief to entities from having to meet the separately identifiable requirement when an RFR is designated as a risk component. The relief allows an entity, upon designation of the hedge, to assume that the separately identifiable requirement is met, provided the entity reasonably expects the RFR risk component to become separately identifiable within the next 24 months. Furthermore, the amendments require an entity to disclose additional information to enable users of financial statements to understand the effect of interest rate benchmark reform on an entity's financial instruments and risk management strategy. The amendments did not have any impact on the financial position and performance of the Group as the Group does not have any interest-bearing bank and other borrowings.

(b) Amendment to IFRS 16 issued in March 2021 extends the availability of the 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 by 12 months. Accordingly, the practical expedient applies to rent concessions for which any reduction in lease payments affects only payments originally due on or before 30 June 2022, provided the other conditions for applying the practical expedient are met. The amendment is effective retrospectively for annual periods beginning on or after 1 April 2021 with any cumulative effect of initially applying the amendment recognised as an adjustment to the opening balance of retained profits at the beginning of the current accounting period. Earlier application is permitted. The amendments did not have any impact on the financial position and performance of the Group as the Group did not have any rent concessions arising as a direct consequence of the covid-19 pandemic during the Relevant Period.

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 RMB165,294,000, accounting for 98.6% 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's revenue during the Relevant Period presented.

5. REVENUE

An analysis of revenue is as follows:

	For the six months ended 30 June	
	2021	2020
	RMB'000	*RMB'000*
	(Unaudited)	(Unaudited)
Revenue from contracts with customers		
Sale of goods	**167,561**	297,588

Revenue from contracts with customers

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

	For the six months ended 30 June	
	2021	2020
	RMB'000	*RMB'000*
	(Unaudited)	(Unaudited)
Type of goods		
Sale of apparel and accessories	**167,561**	297,588
Timing of revenue recognition		
Goods transferred at a point in time	**167,561**	297,588

(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	
	2021	2020
	RMB'000	*RMB'000*
	(Unaudited)	(Unaudited)
Other income		
Government subsidies*	**2,835**	2,909
Rental income, net	**1,733**	1,213
Royalty income#	**653**	679
Warehousing logistics service income	**807**	—
External order processing income	**35**	19
Arrangement fees	**2**	53
	6,065	4,873
Other gains		
Fair value gains, net:		
Financial assets at fair value through profit or loss	**2,234**	—
Exchange gains, net	**11**	—
Others	**313**	369
	2,558	369
	8,623	5,242

* 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

	For the six months ended 30 June	
	2021	2020
	RMB'000	*RMB'000*
	(Unaudited)	(Unaudited)
Interest income on bank deposits	**2,238**	2,093
Interest income on structured bank deposits and wealth management products	**3,943**	8,271
Others	**159**	142
	6,340	10,506

8. LOSS BEFORE TAX

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

	For the six months ended 30 June	
	2021	2020
	RMB'000	*RMB'000*
	(Unaudited)	(Unaudited)
Cost of inventories sold	**44,381**	92,312
Depreciation of property, plant and equipment	**8,439**	8,199
Depreciation of investment properties	**1,302**	1,281
Depreciation of right-of-use assets	**21,031**	33,628
Amortisation of other intangible assets*	**714**	786
Employee benefit expenses (including Directors' remuneration):		
Wages and salaries	**16,922**	18,224
Equity-settled share option expense	**1,126**	2,337
Pension scheme contributions	**1,556**	787
	19,604	21,348
Outsourced labor costs	**44,643**	41,566
Impairment of goodwill	**—**	18,870
Reversal of impairment of trade receivables, net	**(3,295)**	(1,834)
Impairment of other receivables, net	**65**	—
Fair value gains, net:		
Financial assets at fair value through profit or loss — wealth management products	**(2,234)**	—
Lease payments not included in the measurement of lease liabilities	**28,773**	30,829
Write-down of inventories to net realisable value#	**5,519**	4,897
Exchange differences, net	**(11)**	2,453

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

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

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 period ended 30 June 2020.

	For the six months ended 30 June	
	2021	2020
	RMB'000	*RMB'000*
	(Unaudited)	(Unaudited)
Current — PRC		
Charge for the period	**1,319**	7,182
Deferred	**(1,377)**	10,955
Total tax charge for the period	**(58)**	18,137

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 2020, respectively.

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

The calculation of basic loss per share is based on the loss for the Relevant Period attributable to owners of the parent of RMB48,613,000 (six months ended 30 June 2020: the loss of RMB45,366,000) and the weighted average number of ordinary shares of 3,282,916,000 (six months ended 30 June 2020: 3,322,916,000) 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 per share is based on:

	For the six months ended 30 June	
	2021	2020
	RMB'000	*RMB'000*
	(Unaudited)	(Unaudited)
Earnings		
Loss attributable to owners of the parent, used in the basic loss per share calculation	**(48,613)**	(45,366)

	Number of shares For the six months ended 30 June	
	2021	2020
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	**(162,534,000)**	(122,534,000)
Adjusted weighted average number of ordinary shares in issue used in the basic earnings per share calculation	**3,282,916,000**	3,322,916,000

12. INVENTORIES

	30 June 2021	31 December 2020
	RMB'000	*RMB'000*
	(Unaudited)	(Audited)
Raw materials	**12,452**	12,399
Work in progress	**3,617**	5,744
Finished goods	**170,171**	165,165
	186,240	183,308

13. PROPERTIES UNDER DEVELOPMENT

	30 June 2021	31 December 2020
	RMB'000	*RMB'000*
	(Unaudited)	(Audited)
Properties under development	**183,447**	175,503

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

	30 June 2021	31 December 2020
	RMB'000	*RMB'000*
	(Unaudited)	(Audited)
Trade receivables	**50,586**	142,454
Bills receivable	**336**	897
Impairment	**(9,496)**	(12,791)
	41,426	130,560

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 and bills receivables relate to a large number of diversified customers, there is no significant concentration of credit risk. The Group does not hold any collateral or other credit enhancements over 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:

	30 June 2021	31 December 2020
	RMB'000	*RMB'000*
	(Unaudited)	(Audited)
Within 1 month	**20,220**	98,553
1 to 2 months	**6,105**	19,893
2 to 3 months	**4,434**	5,370
Over 3 months	**10,667**	6,744
	41,426	130,560

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

	30 June 2021	31 December 2020
	RMB'000	*RMB'000*
	(Unaudited)	(Audited)
At beginning of period/year	**12,791**	10,118
(Reversal of impairment losses)/impairment losses, net	**(3,295)**	2,673
At end of period/year	**9,496**	12,791

15. FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS

	30 June 2021	31 December 2020
	RMB'000	*RMB'000*
	(Unaudited)	(Audited)
Wealth management products, at fair value	**173,072**	213,456

The above financial assets at fair value at 30 June 2021 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. STRUCTURED BANK DEPOSITS

	30 June 2021 RMB'000 (Unaudited)	31 December 2020 RMB'000 (Audited)
Structured bank deposits, in licensed banks in Mainland China, at amortised cost	**185,827**	217,519

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

17. CASH AND CASH EQUIVALENTS

	30 June 2021 RMB'000 (Unaudited)	31 December 2020 RMB'000 (Audited)
Cash and bank balances	**111,800**	253,214
Time deposits	**224,375**	18,079
Less: Time deposits with original maturity of over three months	**(217,500)**	—
Cash and cash equivalents	**118,675**	271,293

At the end of the reporting period, the cash and bank balances and time deposits of the Group denominated in Hong Kong Dollar ("**HK$**"), US Dollar ("**US$**") and EUR ("**€**") amounted to RMB130,265,000, RMB16,623,000 and RMB74,000 respectively (31 December 2020: RMB237,801,000, RMB14,288,000 and nil, 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.

18. TRADE PAYABLES

An ageing analysis of the trade payables as at 30 June 2021 and 31 December 2020, based on the invoice date, is as follows:

	30 June 2021	31 December 2020
	RMB'000	*RMB'000*
	(Unaudited)	(Audited)
Trade payables		
Within 30 days	**16,488**	19,318
31 to 90 days	**391**	2,012
91 to 180 days	**374**	222
Over 181 days	**3,092**	2,658
	20,345	24,210

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

19. SHARE CAPITAL

Shares	**30 June 2021**	31 December 2020
	HK$'000	*HK$'000*
	(Unaudited)	(Audited)
Issued and fully paid:		
3,445,450,000 (31 December 2020: 3,445,450,000) ordinary shares	**344,545**	344,545
Equivalent to RMB'000	**280,661**	280,661

MANAGEMENT DISCUSSION AND ANALYSIS

MARKET OVERVIEW

During the Relevant Period, with the impact of the COVID-19 pandemic on the macro-economy in China has significantly reduced, the growth rate of China's Gross Domestic Product ("**GDP**") was 12.7%. The growth rate of total retail sales of consumer products also increased by 23.0%. Particularly, retail sales achieved by the top 100 key and large-scale retailers increased by 22.5% in the Relevant Period.

Despite the recovery of the macro-economy and retail market, the Group reported a decrease in revenue by RMB130.0 million from RMB297.6 million in the six months ended 30 June 2020 to RMB167.6 million in the Relevant Period and an increase in loss attributable to owners of the parent by RMB3.2 million, or approximately 7.0%, from RMB45.4 million in the six months ended 30 June 2020 to RMB48.6 million in the Relevant Period.

FINANCIAL REVIEW

Revenue

We derive our revenue primarily from retail sales of our products to our end-consumers through self-operated retail points in department stores and shopping malls in major cities in the PRC, sales of products to third-party retailers who directly manage concession counters and retail stores in other cities in the PRC where we do not operate retail points and sales of products through online channels. Our revenue is stated at the net invoiced value of goods sold after trade discounts.

The total revenue of the Group was RMB167.6 million in the Relevant Period, representing a decrease by RMB130.0 million, or approximately 43.7%, as compared to RMB297.6 million in the six months ended 30 June 2020.

By sales channels

Revenue from sales of products through self-operated retail points decreased by RMB68.2 million, or approximately 31.6%, from RMB216.0 million in the six months ended 30 June 2020 to RMB147.8 million in the Relevant Period and accounted for approximately 88.2% (six months ended 30 June 2020: 72.6%) of the total revenue. Such decrease was mainly attributable to the decrease of sales of Jeep branded products as the Jeep licensing agreement was terminated on 31 December 2020. In terms of the retail channels, the revenue from outlet stores also decreased by RMB32.6 million, or approximately 41.7%, from RMB78.2 million in the six months ended 30 June 2020 to RMB45.6 million in the Relevant Period.

Revenue from sales of products to third-party retailers decreased by RMB41.5 million, or approximately 84.9%, from RMB48.9 million in the six months ended 30 June 2020 to RMB7.4 million in the Relevant Period and accounted for approximately 4.4% (six months ended 30 June 2020: 16.4%) of the total revenue. The decrease in revenue from sales of products to third-party retailers was mainly due to the decrease in number of retail points operated by third-party retailers from 286 at 30 June 2020 to 33 at 30 June 2021. The decrease in number of retail points was mainly attributable to the closure of Jeep branded stores by the third-party retailers due to the termination of Jeep licensing agreement.

Revenue from sales of products through online channels decreased by RMB20.3 million, or approximately 62.1%, from RMB32.7 million in the six months ended 30 June 2020 to RMB12.4 million in the Relevant Period and accounted for approximately 7.4% (six months ended 30 June 2020: 11.0%) of the total revenue. The decrease in revenue was primarily attributable to: (i) a decrease in sales from WeChat stores by RMB3.2 million, or approximately 54.2%, from RMB5.9 million in the six months ended 30 June 2020 to RMB2.7 million in the Relevant Period; (ii) a decrease in sales of products to online third-party retailers by RMB9.9 million, or approximately 81.8%, from RMB12.1 million in the six months ended 30 June 2020 to RMB2.2 million in the Relevant Period; (iii) a decrease in sales of product through our e-shops on Tmall. com and JD.com by RMB4.2 million, or approximately 45.2%, from RMB9.3 million in the six months ended 30 June 2020 to RMB5.1 million in the Relevant Period; and (iv) a decrease in sales from online discount platform such as VIP.com by RMB3.0 million, or approximately 55.6%, from RMB5.4 million in the six months ended 30 June 2020 to RMB2.4 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			
	2021		2020	
	Revenue *RMB million*	**% of total revenue**	Revenue *RMB million*	% of total revenue
Retail sales from self-operated retailers	**147.8**	**88.2%**	216.0	72.6%
Sales to third-party retailers	**7.4**	**4.4%**	48.9	16.4%
Sales through online channels	**12.4**	**7.4%**	32.7	11.0%
Total	**167.6**	**100.0%**	297.6	100.0%

By Brand

Revenue contributed from self-owned brands increased by RMB70.5 million, or approximately 2.8 times, from RMB25.4 million in the six months ended 30 June 2020 to RMB95.9 million in the Relevant Period. Percentage of revenue from self-owned brands over total revenue also increased from 8.5% in the six months ended 30 June 2020 to 57.2% in the Relevant Period.

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

	Six months ended 30 June			
	2021		2020	
	Revenue ***RMB million***	**% of total revenue**	Revenue *RMB million*	% of total revenue
Licensed brands	**71.7**	**42.8%**	272.2	91.5%
Self-owned brands	**95.9**	**57.2%**	25.4	8.5%
Total	**167.6**	**100.0%**	297.6	100.0%

Cost of sales

Our cost of sales decreased by RMB47.3 million, or approximately 48.7%, from RMB97.2 million in the six months ended 30 June 2020 to RMB49.9 million in the Relevant Period. The decrease in cost of sales was primarily due to the decrease in cost of inventories sold by RMB47.9 million from RMB92.3 million in the six months ended 30 June 2020 to RMB44.4 million in the Relevant Period due to the decrease in revenue.

Gross profit and gross profit margin

Our gross profit decreased by RMB82.7 million, or approximately 41.3%, from RMB200.4 million in the six months ended 30 June 2020 to RMB117.7 million in the Relevant Period as a result of the decrease in revenue. Our overall gross profit margin increased by 2.9 percentage points from 67.3% in the six months ended 30 June 2020 to 70.2% in the Relevant Period. The increase in gross profit margin was mainly due to the increase in selling prices in the Relevant Period while in last year the selling prices were reduced to increase sales of Jeep branded inventories.

Other income and gains

Our other income and gains increased by RMB3.4 million, or approximately 65.4%, from RMB5.2 million in the six months ended 30 June 2020 to RMB8.6 million in the Relevant Period, which was primarily due to an increase in fair value gains by RMB2.2 million arising from the financial assets at fair value through profit or loss.

Selling and distribution expenses

Our selling and distribution expenses decreased by RMB35.5 million, or approximately 18.4%, from RMB192.7 million in the six months ended 30 June 2020 to RMB157.2 million in the Relevant Period.

Rents and concession fees for occupying concession counters within department stores and department store charges decreased by RMB14.7 million, or approximately 23.0%, from RMB63.9 million in the six months ended 30 June 2020 to RMB49.2 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 RMB50.4 million in the six months ended 30 June 2020 to RMB48.2 million in the Relevant Period. Such decrease was primarily attributable to the decrease in number of sales and marketing staff.

We incurred advertising and promotion expenses of RMB10.4 million (six months ended 30 June 2020: RMB5.2 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 increased from RMB15.7 million in the six months ended 30 June 2020 to RMB17.5 million in the Relevant Period which was primarily attributable to the store renovation costs related to the change of Jeep branded stores to MCS, SBPRC or Marina Yachting branded stores in the Relevant Period.

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

Administrative expenses

The administrative expenses decreased by RMB1.3 million, or approximately 4.8%, from RMB27.3 million in the six months ended 30 June 2020 to RMB26.0 million in the Relevant Period. The decrease in administrative expenses was mainly due to a decrease in amortisation of share option expenses by RMB1.2 million.

Finance income

Our finance income decreased to RMB6.3 million in the Relevant Period as compared to that of RMB10.5 million in the six months ended 30 June 2020, representing a decrease by 40.0%. The decrease in finance income was mainly because the decrease in return rate on wealth management products in China and Hong Kong in the Relevant Period.

Loss before tax

As a result of the foregoing factors, loss before tax increased by RMB23.2 million, or approximately 91.0%, from RMB25.5 million in the six months ended 30 June 2020 to RMB48.7 million in the Relevant Period.

Income tax expense

Income tax expense decreased by RMB18.2 million which was primarily due to (i) a decrease in current income tax by RMB5.9 million from RMB7.2 million in the six months ended 30 June 2020 to RMB1.3 million in the Relevant Period; and (ii) a decrease in deferred tax expense by RMB12.3 million due to the increase in deferred tax assets in relation to the inventory provisions.

Loss for the period

The Group reported a loss for the period of RMB48.7 million in the Relevant Period (six months ended 30 June 2020: a loss for the period of RMB43.6 million).

Loss attributable to owners of the parent

As a result of the foregoing, the loss attributable to owners of the parent increased by RMB3.2 million from RMB45.4 million in the six months ended 30 June 2020 to RMB48.6 million in the Relevant Period.

Working Capital Management

	30 June 2021	31 December 2020
Inventory turnover days	**667**	341
Trade receivables turnover days	**92**	59
Trade payables turnover days	**80**	45

The increase in inventory turnover days by 326 days was mainly because (i) an increase in turnover days of inventories aged within 1 year by 267 days due to the increase in procurement; and (ii) an increase in turnover days of inventories aged between 1 year to 3 years by 59 days due to the decrease in revenue.

The increase in trade receivables turnover days by 33 days was mainly because of the decrease of sales proportion from third-party retailers where payment in advance is required prior to the delivery of products.

The increase in trade payable turnover days by 35 days was mainly due to the increase in procurement of 2021 Spring/Summer products.

Liquidity, financial position and cash flows

As at 30 June 2021, we had net current assets of approximately RMB979.7 million, as compared to RMB1,010.2 million as at 31 December 2020. The current ratio of our Group was 4.9 times as at 30 June 2021, as compared to that of 4.4 times as at 31 December 2020.

There was no undrawn banking facility as at 30 June 2021.

As at 30 June 2021, we had an aggregate cash and cash equivalents, time deposits with original maturity of over three months, structured bank deposits and financial assets at fair value through profit or loss and of approximately RMB695.1 million. The table below sets forth selected cash flow data from our consolidated statement of cash flows:

	Six months ended 30 June	
	2021	2020
	RMB million	*RMB million*
Net cash flows from operating activities	**6.0**	67.1
Net cash flows used in investing activities	**(135.4)**	(21.3)
Net cash flows used in financing activities	**(22.5)**	(34.2)
Net (decrease)/increase in cash and cash equivalents	**(151.9)**	11.6
Effect of foreign exchange rate changes, net	**(0.7)**	0.8
Cash and cash equivalents at the beginning of the period	**271.3**	95.9
Cash and cash equivalents at the end of the period	**118.7**	108.3

Operating activities

Net cash flows from operating activities decreased by RMB61.1 million, from RMB67.1 million in the six months ended 30 June 2020 to RMB6.0 million in the Relevant Period, which was primarily attributable to the decrease in cash flows before change in working capital by RMB55.2 million from a cash inflow of RMB34.2 million to a cash outflow of RMB21.0 million.

Investing activities

Net cash flows from in investing activities of RMB135.4 million mainly represented an increase in short-term deposits with original maturity of over three months of RMB217.5 million and partially offset by a decrease in structured bank deposits and financial assets at fair value through profit or loss of RMB74.3 million.

Financing activities

Net cash flows used in financing activities mainly represented principal portion of lease payments of RMB22.5 million.

Pledge of group assets

As at 30 June 2021, 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 2021, the Group had capital commitments of approximately RMB25.1 million (31 December 2020: RMB34.5 million) and there were no significant contingent liabilities (31 December 2020: 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.

OPERATION REVIEW

Retail and distribution network

As at 30 June 2021, our sales network comprised a total of 410 self-operated retail points, consisting of concession counters, consignment stores and standalone stores, and 33 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 2021 and 31 December 2020:

	As at 30 June 2021			As at 31 December 2020		
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
SBPRC	**144**	**9**	**153**	155	10	165
London Fog	**21**	**—**	**21**	25	—	25
MCS	**167**	**20**	**187**	169	16	185
Zoo York	**24**	**—**	**24**	27	—	27
Barbour	**13**	**3**	**16**	13	2	15
Marina Yachting	**41**	**1**	**42**	45	2	47
Others	**—**	**—**	**—**	1	—	1
Total	**410**	**33**	**443**	435	30	465

Self-operated retail points

As at 30 June 2021, we had a network of 395 self-operated concession counters (31 December 2020: 420 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 133 were outlet stores as at 30 June 2021 (31 December 2020: 137 outlet stores).

As at 30 June 2021, we had a network of 15 standalone stores (31 December 2020: 15 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 2021, we had a total of 33 retail points that were operated by third-party retailers, which remained consistent as compared to that of 30 retail points 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 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.

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 period included the following:

In the Relevant Period, the MCS 21 Spring Summer season advertising were shown on over 1,000 elevator TV displays in mainstream office buildings and shopping malls covering the first and second tier cities in China including Beijing, Shanghai, Chengdu etc.

The Group also sponsored apparel products of "MCS" and "Marina Yachting" for the TV drama "the Fifth Facade" (第五立面) during the Relevant Period.

Business Digitalization

We developed an O2O system that is tailored to our retail network and allows our customers to make purchases on demand even if the desired item is out of stock at a particular location, which in turn both enhances customers' shopping experience and drives our sales. Sales contributed by the self-developed O2O system decreased by RMB15.0 million, or approximately 44.5%, from RMB33.7 million in the six months ended 30 June 2020 to RMB18.7 million in the Relevant Period.

We also 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 RMB2.7 million in the Relevant Period (six months ended 30 June 2020: RMB5.9 million).

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.

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 30 June 2021, approximately 1,334 sales representatives, store managers and production workers, were employees of the outsourcing service company (31 December 2020: 1,500).

Employee information

As at 30 June 2021, the Group had approximately 402 full-time employees (31 December 2020: 530). Staff costs, including Directors' remuneration, totalled RMB19.6 million in the Relevant Period (six months ended 30 June 2020: RMB21.3 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 244,600,000 options under the Share Option Scheme that was granted to 91 participants (including 7 directors) remain outstanding as at 30 June 2021.

Corporate Social Responsibility

Being a responsible corporate citizen is a core fundamental of our culture. During the period, we continued to participate in the sponsorship of an animal protection program organized by the Beijing Loving Animals Foundation (北京愛它動物保護公益基金) and the sponsorship of "I fly" (愛飛翔) training program for village school teachers organised by the Chinese Red Cross Foundation and Cui Yong Yuan Commonwealth Foundation (崔永元公益基金) for the purpose of supporting education in rural areas of China. A total donation of approximately RMB0.1 million was made by the Group to the above programs in the Relevant Period.

We are also looking for opportunities to reduce the consumption of paper, electricity and other resources in order to reduce the impact to the environment and set reduction targets as appropriate.

Prospects

Seamless Combining of the online and offline business through information technology and business digitalisation remains our first priority for the year ending 31 December 2021. Therefore, we will focus on the following initiatives in the second half of 2021:

- to encourage our sales staff and third-party retailers to use our O2O system as well as to sell products through our WeChat stores;

- to leverage of our customer loyalty program to increase interactions with customers and encourage repeat purchases;

- to develop new online and offline third-party retailers to expand the retail network; and

- stock clearance remains a priority of the Group in the second half of 2021 given the relatively high level of inventory.

INTERIM DIVIDENDS

The Board does not recommend to declare any interim dividends for the Relevant Period (six months ended 30 June 2020: 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 (the "**Model Code**") 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 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 websites 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 in due course.

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 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.